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STATISTICAL BULLETIN

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THE CONFERENCE BOARD

comment

The data on activity for September indicate that the economy was in better shape in that month than it had been in for quite a while. But the outlook expressed in the *Economic Forecasts* suggests it could be many months before the economic picture again looks as bright as it did in September.

Retail sales, adjusted for inflation, went up in both August and September. And the gains were much larger for durable goods than for nondurables. Domestic *Automobile Sales,* however, did not share in this increase in consumer buying. Sales in August averaged a seasonally adjusted 8.8 million unit annual rate. The rate dropped to 8.2 million in September, and to only 7.7 million in October. Sales of foreign models were flat over this period. This meant that retail sales of durable commodities, other than cars, were quite robust in September. This strength was supported by stepped-up consumer borrowing. The ratio of installment debt expansion to personal income had peaked at about 3% in mid-1978, had been reduced to only half that rate by June, stayed that low through August, then climbed to 2.7% in September. Consumer attitudes have been improving of late, unquestionably a factor in decisions to go ahead and buy, even at the expense of increased borrowing. The Conference Board's *Consumer Confidence Index* had dropped to as low as 64.9 (1969-1970 = 100) in August, but then improved to 76.8 in September, and further to 85.6 in October.

While retail sales improved in September, industrial output also expanded. And The Conference Board's *Principal Diffusion Index* indicated that the increase in activity was quite broad based. The level of industrial production, as well as the measures of capacity utilization, were as high in September as they had been earlier this year. However, retail sales were lower in September than levels recorded at the end of last year. Production, in other words, continued to exceed sales in September, and inventories continued to grow. The inventory-sales ratio for cyclically sensitive durable goods inched higher in September.

It now seems apparent that in early October policymakers were looking at an upsurge in consumer markets, financed in part by significantly increased borrowing, while production was even stronger, resulting in some inventory accumulation and associated business borrowing. Although interest rates in September were at record levels, the real interest rate—that is to say, the rate of interest relative to the rate of inflation—was low. Low enough, in fact, to encourage some additional debt formation. Concern over the growth of money and credit, and over the dollar's exchange rate in international currency markets, weighed heavily in a decision early in October not only to change monetary policy but to change the method by which policy is conducted.

Monetary policy has traditionally had as its goal managing credit expansion and money-supply expansion, while also exerting influence on the general level of interest rates. The Federal Reserve attempted to steer money-supply growth within established target ranges but conducted this policy through operations directly affecting the Federal Funds rate—the rate at which banks borrow excess reserves from each other—and thus over interest rates. The Federal Funds rate was generally kept within the target ranges, but growth of money supply was not—on balance, money expansion has run above the targets in recent years. Hence, the Fed decided in October to pay less attention to the price of money and more attention to its quantity. The likely effect of this change has been expected to be a steadier course in the expansion of money and credit while interest rates would be more volatile than in the past. The Fed's immediate goal is to constrain the growth of money and credit.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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THE CONFERENCE BOARD IN CANADA
25 McArthur Road
Ottawa, Ontario, K1L-6R3, Canada

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845 Third Avenue
New York, New York 10022

THE CONFERENCE BOARD IN EUROPE
Avenue Louise, 326-Bte 48
B-1050 Brussels, Belgium

Interest rates have indeed been volatile. The Federal Funds rate stood just under 12% at the end of September. But it had been allowed to rise as high as 15.6% by the end of October. The interest rates quoted to consumers and business have also escalated sharply. Given the substantially higher cost of money, and the tightening of availability, borrowing to pay for consumer goods or for inventories can be expected to slow. And the short-term economic outlook, which had not been very bright, has been lowered.

Although real GNP rose in the third quarter, there is every indication that the gain was nothing more than a pause in an economic downturn that began in the second quarter of 1979 and could possibly last until the third quarter of 1980. The median of the *Economic Forecasts* is that real output will decline by a seasonally adjusted 1.0% annual rate in the fourth quarter of 1979 and by 1.8% in the first quarter of 1980. The median then rises to a meager 1.4% rate in the second quarter of 1980. The median forecast calls for growth in real output to quicken to 3% in the second half of next year. There are some forecasts, however, suggesting that the downturn could continue into next fall.

The *Economic Forecasts* indicate that the rate of inflation, as measured by the implicit price deflator, will remain at about the third quarter pace of 9.3% in the fourth quarter of this year. Despite the prospect of a slower rate of economic activity as well as rather restrictive, anti-inflationary monetary and fiscal policy, the expectation is that the inflation rate will subside to only about 8½% in the first half of 1980, and to about 8% in the second half.

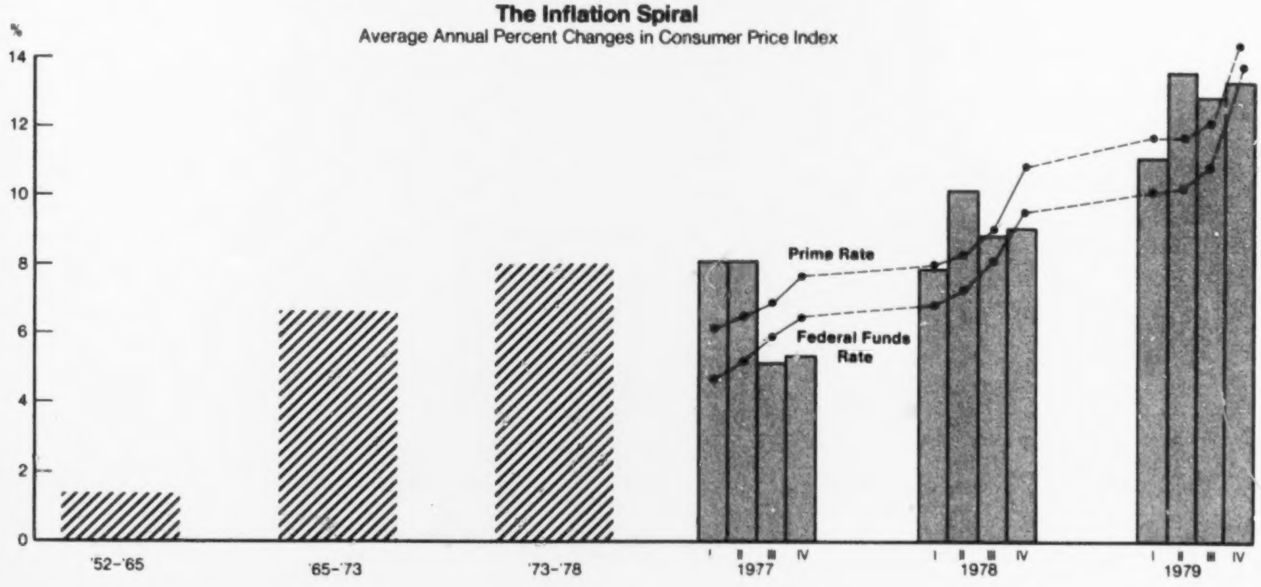
The national unemployment rate rose to 6% in October. The *Economic Forecasts* indicate that, given the prospect of declines in production, the unemployment rate will average to about 6.4% (median forecast) in the current quarter. It is then expected to continue to climb to about 7.7% by the last quarter of 1980. The Conference Board's *Help-wanted Index*, which had declined from 165 (1967 = 100) last December to 153 by June, increased to 159 by September. Given the economic outlook, it is probable that this measure of the labor market will shortly resume a declining trend.

Whatever the benefit of the additional dosage of anti-inflationary medicine announced in early October, the benefit is only going to be apparent over a long period of time; and, even then, only if the strict and disciplined course of treatment is maintained. The short-term effect, in terms of overall economic activity, is very likely to be an increase in the severity, and possibly in the length, of recession. At least that seems to be the view expressed in the latest *Economic Forecasts*.

Ken Goldstein

The Inflation Spiral

Average Annual Percent Changes in Consumer Price Index



STATUS OF LEADING ECONOMIC INDICATORS

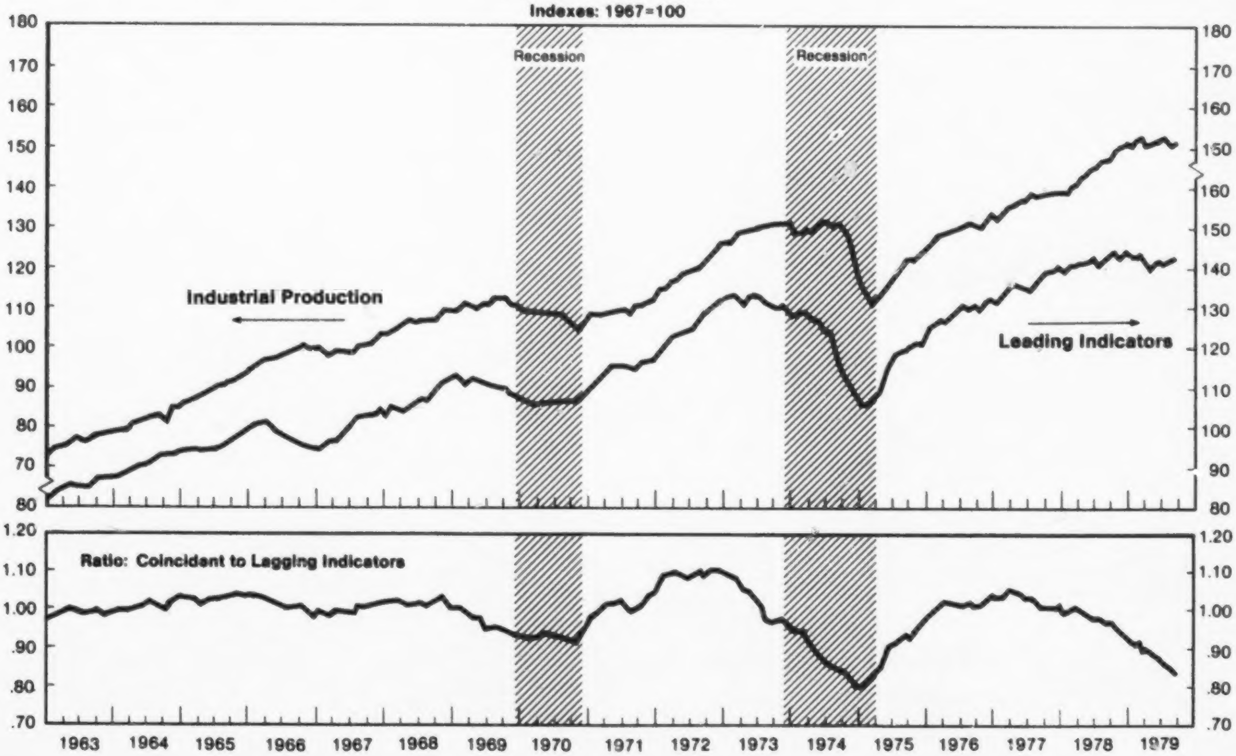
		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Sept.		X		+ 0.6%	— 1.1%
Capital Investment Commitments						
*Contracts & orders, plant & equipment (deflated)	Sept.		X		— 0.8%	+ 1.6%
New orders, nondefense capital goods (deflated)	Sept.		X		+ 0.9%	+ 6.1%
*Net business formation	July		X		+ 1.7%	— 0.6%
*Housing permits	Sept.	X			+ 8.3%	— 3.8%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Sept.		X		— 1.2%	— 3.5%
*Change in inventory, on hand & order (deflated)	Aug.			X	— 3.3%	— 0.8%
Purchasing agents' buying policy	Oct.			X	— 1 %	— 3 %
*Vendor performance, reported slower deliveries	Sept.			X	—27.1%	—22.7%
Industrial raw materials prices	Oct.		X		+ 3.9%	+23.9%
*Change in sensitive prices	Oct.			X	+ 0.2%	+ 1.0%
Sensitive Financial Flows						
*Money balance (M2, deflated)	Sept.		X		— 0.1%	— 3.9%
Change in business loans	Oct.			X	—31.8%	— 3.0%
*Change in liquid assets	Sept.	X			+ 0.3%	+ 0.1%
Change in consumer installment debt	Aug.			X	—10.3%	—14.2%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q			X	— 4.1%	+ 4.8%
*Common stock prices	Oct.		X		+ 1.9%	+ 4.1%
Marginal Employment Adjustments						
*Average workweek, mfg.	Oct.		X		— 0.1	— 0.4
Initial unemployment claims (inverted)	Sept.		X		+ 2.1%	—16.5%
*Layoff rate, mfg. (inverted)	Sept.		X		+ 0.1	+ 0.4

Note: For historical data of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Business Conditions Digest*, (Washington, D.C.: Government Printing Office, July, 1978, p. 100. For a description of the index, see November, 1975, page V.)

*These twelve series make up the composite leading index charted below.

Economic Indicators

Indexes: 1967=100



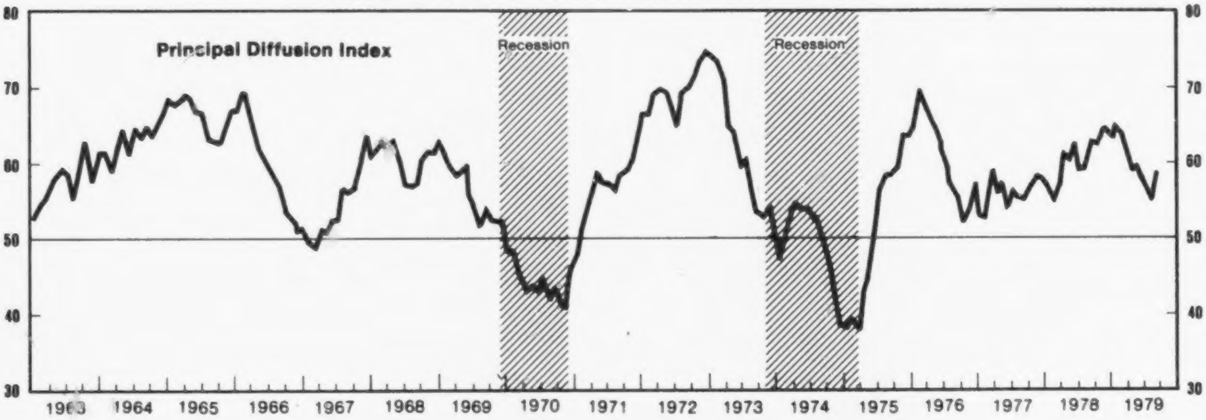
CONFERENCE BOARD DIFFUSION INDEXES

	1978	1979			
DIFFUSION INDEXES	**Sept.**	**June**	**July**	**Aug.**	**Sept.(e)**
Principal Diffusion Index	67.1r	58.0r	57.0r	54.9r	58.5
Auxiliary Diffusion Index	59.8r	45.0r	46.9r	43.0r	61.7
Industrial Group	63.9	53.0r	50.1r	45.1r	47.7
Nonindustrial Group	70.2r	62.9r	60.0r	64.6r	69.2
Sense of Diffusion	1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	74.4	65.0	58.8r	53.4r	54.1
Labor	62.3	44.0r	42.3r	36.2r	41.4
Miscellaneous	52.2	57.7	56.4	55.1	53.8
Nonindustrial Subgroups					
Prices	75.0	70.5	75.6	71.8	76.3
Consumer	85.9r	72.2r	70.5r	73.9r	77.4
Building	64.7	44.9	44.9	44.9r	52.6
Miscellaneous	54.9r	60.7r	62.4r	63.7r	67.5

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1977				*1978*				*1979*		
	Feb.	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*
						Score (scale 0-100)					
Measure of Business Confidence	69	71	59	52	52	58	49	40	43	41	32
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	65	74	62	48	46	60	58	45	47	47	28
2. Expectations for Economy, Six Months Ahead	71	70	56	49	49	54	42	33	36	33	29
3. Expectations for Own Industry, Six Months Ahead	70	69	60	58	59	60	49	43	46	43	38

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

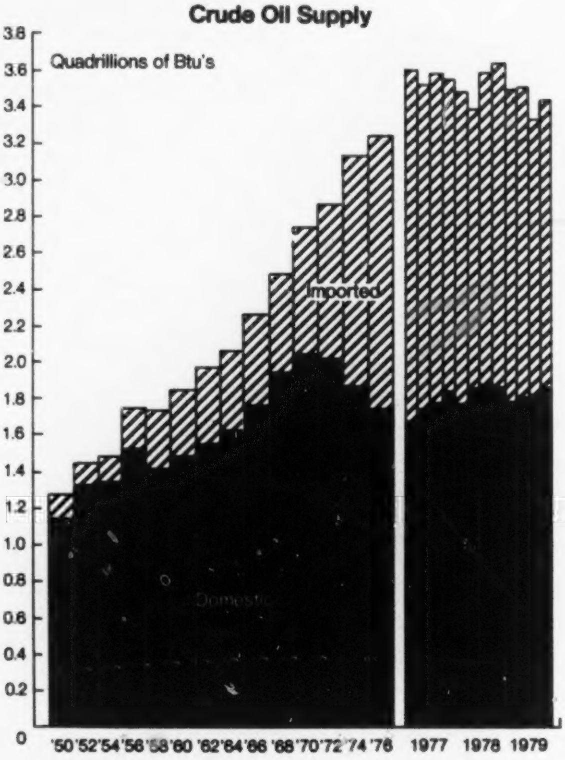
CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

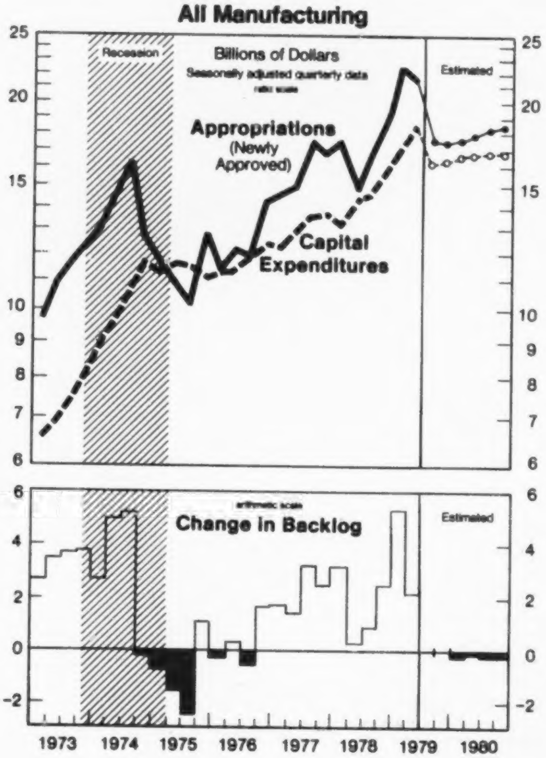
Billions of Dollars, Seasonally Adjusted

	1978			1979				1980			
						PROJECTIONS					
	IIr	IIIr	IVr	Ir	IIp	III	IV	I	II	III	IV
1000 LARGEST MANUFACTURING FIRMS											
Newly approved	15.079	16.145	18.625	22.585	21.410	17.3	17.3	17.4	17.9	18.2	18.3
Capital expenditures	14.367	14.551	15.792	16.572	18.319	16.1	16.3	16.5	16.7	16.9	16.9
Change in appropriations backlog	+ 0.207	+ 0.845	+ 2.504	+ 5.328	+ 2.239	0.0	0.0	—0.3	+ 0.1	+ 0.2	+ 0.2
Durable Goods											
Newly approved	7.414	8.414	9.745	11.114	10.831	8.4	8.0	7.6	7.2	7.2	7.7
Capital expenditures	6.503	6.674	7.130	7.717	8.406	7.5	8.0	8.1	7.8	7.6	7.2
Change in appropriations backlog	+ 0.691	+ 1.481	+ 2.587	+ 3.225	+ 2.263						
Nondurable Goods											
Newly approved	7.662	7.731	8.880	11.471	10.579	8.9	9.2	9.8	10.6	11.0	10.6
Capital expenditures	7.864	7.877	8.662	8.855	9.913	8.6	8.3	8.4	8.9	9.3	9.7
Change in appropriations backlog	—0.484	—0.636	—0.083	+ 2.103	—0.024						
ELECTRIC & GAS UTILITIES											
Appropriations	5.765	8.719	10.281	7.077	5.854						
Capital expenditures	6.283	6.514	7.025	7.173	7.045						
Change in appropriations backlog	—1.242	—3.185	+ 2.471	—3.601	—3.782						

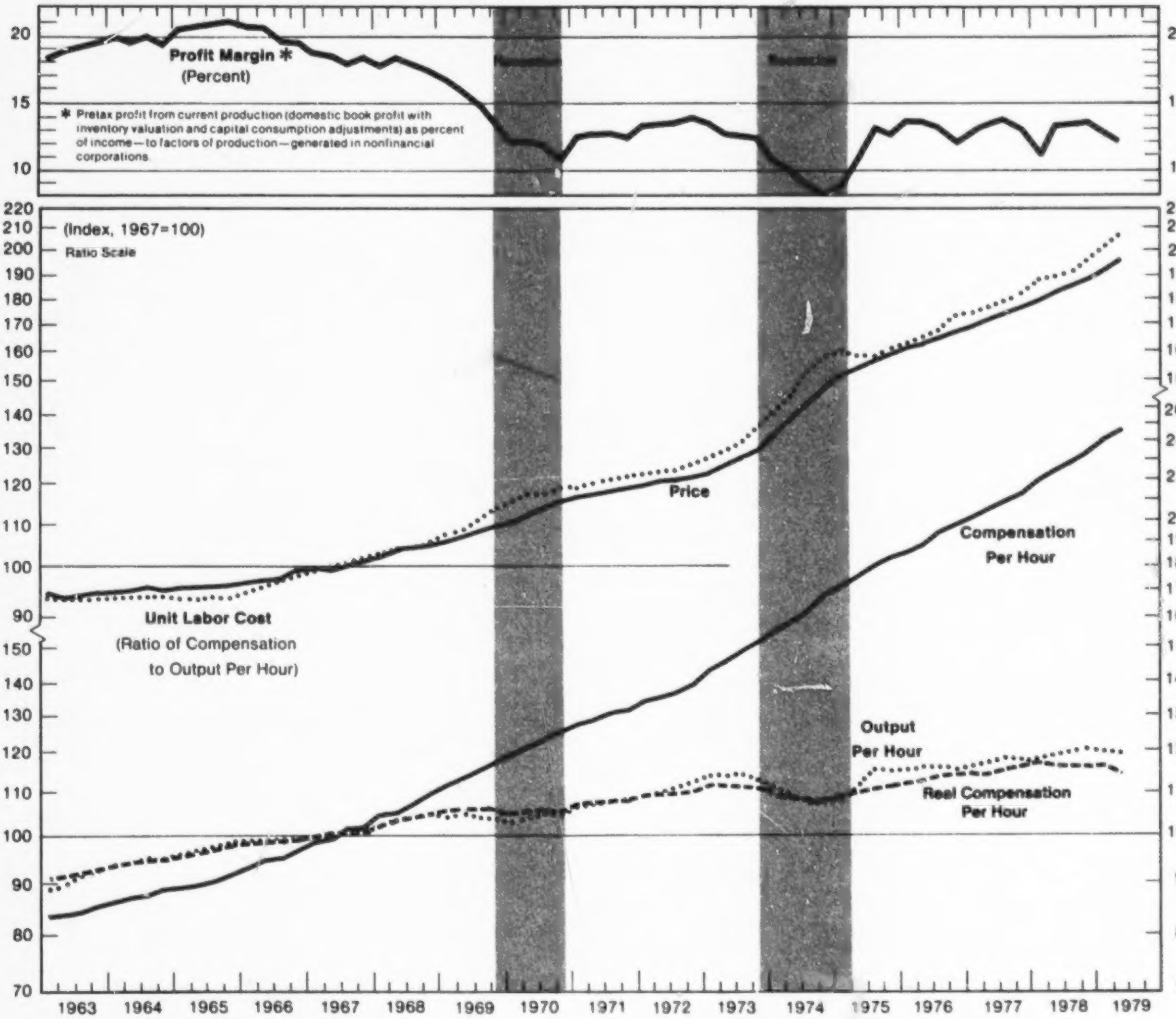
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request. Projections are based on The Conference Board's capital appropriations forecasting model.

r—revised p—preliminary


Crude Oil Supply

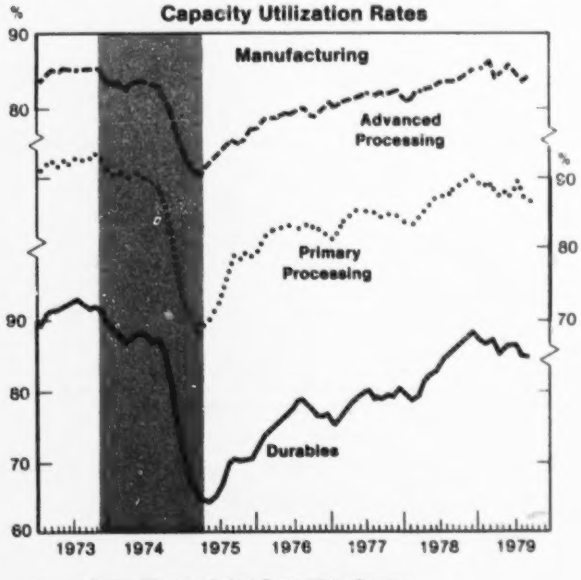

All Manufacturing

Key Determinants of Profit Margin–Nonfinancial Corporations

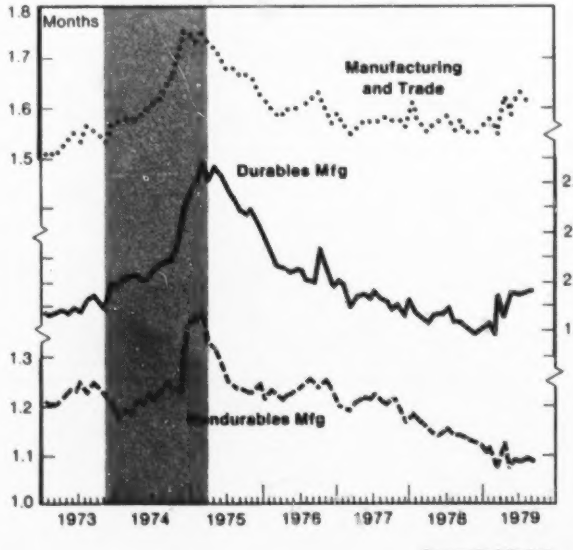


* Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income—to factors of production—generated in nonfinancial corporations.

Capacity Utilization Rates



Inventory-Sales Ratios



Sources: Bureau of Economic Analysis; Bureau of Labor Statistics

Seasonally Adjusted

ECONOMIC FORECASTS

				ASA-NBER Survey of Regular Forecasters[2]		Merrill Lynch Economics Inc.[1]		Kent Economic Institute[1]		Michigan Research Seminar in Quantitative Economics[2]	
Date of Forecast				August, 1979		October, 1979		October, 1979		July, 1979	
				Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change
Gross National Product Current Dollars											
	Actual	1979	III			$2391.5	11.8%	$2391.5	11.8%		
	Forecast	1979	IV	$2400.0	5.8%	2442.5	8.8	2422.6	5.3	$2417.2	8.8%
		1980	I	2442.0	7.2	2464.6	3.7	2451.1	4.8	2472.4	9.5
			II	2500.0	9.8	2487.9	3.8	2513.4	10.6	2531.4	9.9
			III	2568.0	11.3	2540.9	8.8	2592.5	13.2	2596.4	10.7
			IV			2616.5	12.4	2656.6	10.3	2667.8	11.5
		1981	I			2689.3	11.6	2707.9	8.0	2730.3	9.7
			II			2759.4	10.8	2781.2	11.3		
			III					2869.2	13.3		
		1979	Annual	2346.3	10.3	2364.0	11.1	2359.0	10.8	2350.8	10.5
		1980	Annual			2527.5	6.9	2553.4	8.2	2567.0	9.2
Gross National Product Constant (1972) Dollars											
	Actual	1979	III			$1430.8	2.4%	$1430.8	2.4%		
	Forecast	1979	IV	$1402.0	−3.1%	1427.9	−0.8	1416.7	−3.9	$1416.9	0.1%
		1980	I	1396.0	−1.1	1409.7	−5.0	1410.3	−1.8	1417.8	0.3
			II	1405.0	2.0	1394.0	−4.4	1415.2	1.4	1422.5	1.3
			III	1418.0	3.8	1393.2	−0.2	1428.4	3.8	1430.8	2.4
			IV			1409.2	4.7	1441.5	3.7	1440.4	2.7
		1981	I			1426.1	4.9	1445.6	1.1	1446.7	1.8
			II			1441.0	4.2	1459.7	4.0		
			III					1469.8	2.8		
		1979	Annual	1416.1	1.2	1427.9	2.8	1425.1	1.8	1420.7	1.5
		1980	Annual			1401.5	−1.8	1423.8	−0.1	1427.9	0.5
Gross National Product Deflator Index, 1972 = 100											
	Actual	1979	III			167.1	8.4%	167.1	8.4%		
	Forecast	1979	IV	171.0	6.4%	171.1	9.7	171.0	9.6	170.6	8.7%
		1980	I	174.3	7.9	174.8	8.1	173.8	6.7	174.4	9.2
			II	178.0	8.8	178.5	8.8	177.6	9.0	178.0	8.4
			III	181.0	6.9	182.4	9.0	181.5	9.1	181.5	8.1
			IV			185.7	7.4	184.3	6.3	185.2	8.5
		1981	I			188.6	6.4	187.3	6.7	188.7	7.8
			II			191.5	6.3	190.5	7.0		
			III					195.2	10.2		
		1979	Annual	165.7	9.0	165.6	8.9	165.5	8.9	165.5	8.9
		1980	Annual			180.3	8.9	179.3	8.3	179.8	8.6
Unemployment Rate											
	Actual	1979	III			5.8%		5.8%			
	Forecast	1979	IV	6.5%		6.4		6.6		6.3%	
		1980	I	7.1		7.2		7.3		6.6	
			II	7.3		8.1		7.0		6.9	
			III	7.2		8.5		6.7		7.1	
			IV			8.6		6.8		7.1	
		1981	I			8.4		6.1		7.2	
			II			8.4		6.4			
			III					6.2			
		1979	Annual	6.0		5.9		6.0		5.9	
		1980	Annual			8.1		6.9		6.9	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary 3rd quarter data.

[2] Based on preliminary 2nd quarter data.

ECONOMIC FORECASTS (continued)

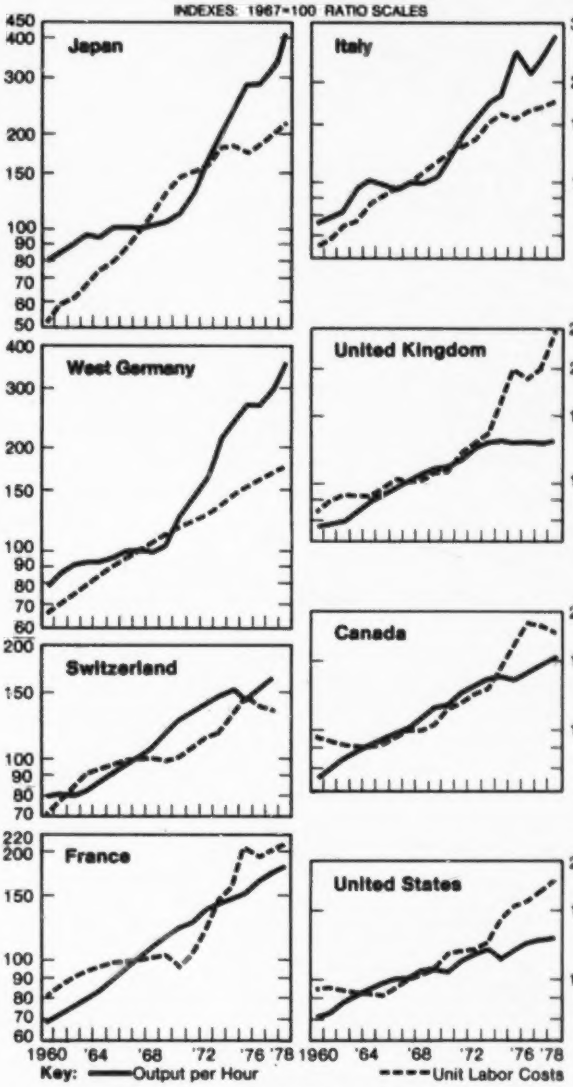
The Conference Board[1]		Chase Econometric Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
October, 1979		October, 1979		October, 1979		October, 1979				
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Current Dollars		
$2391.5	11.0%	$2391.5	11.0%	$2391.5	11.0%	$2391.5	11.0%	III	1979	Actual
2446.0	9.4	2427.3	6.1	2438.7	8.1	2438.8	8.1	IV	1979	Forecast
2464.0	3.0	2438.1	1.8	2459.6	3.5	2479.4	6.8	I	1980	
2483.0	3.1	2478.0	6.7	2495.5	6.0	2540.3	10.2	II		
2517.0	5.6	2538.5	10.1	2553.0	9.5	2605.7	10.7	III		
2586.0	11.4	2613.9	12.4	2621.7	11.2	2690.5	13.7	IV		
		2675.7	9.8	2704.1	13.2	2773.1	12.9	I	1981	
		2743.1	10.5	2793.2	13.8	2850.0	11.6	II		
		2815.2	10.9	2887.2	14.2	2919.9	10.2	III		
2364.8	11.2	2360.2	10.8	2363.0	11.1	2363.0	11.1	Annual	1979	
2512.5	6.2	2517.1	6.6	2532.4	7.2	2579.0	9.1	Annual	1980	
								Gross National Product Constant (1972) Dollars		
$1430.8	2.4%	$1430.8	2.4%	$1430.8	2.4%	$1430.8	2.4%	III	1979	Actual
1430.8	0.0	1418.2	−3.5	1427.1	−1.0	1425.5	−1.5	IV	1979	Forecast
1412.7	−5.0	1400.2	−5.0	1410.4	−4.6	1415.5	−2.8	I	1980	
1397.3	−4.3	1398.3	−0.5	1402.5	−2.2	1420.0	1.3	II		
1392.0	−1.5	1405.2	2.0	1406.5	1.1	1429.6	2.7	III		
1403.5	3.3	1416.6	3.3	1414.1	2.2	1445.9	4.6	IV		
		1427.8	3.2	1429.1	4.3	1459.0	3.7	I	1981	
		1436.8	2.5	1446.0	4.8	1471.2	3.4	II		
		1447.9	3.1	1463.7	5.0	1482.8	3.2	III		
1428.6	2.1	1425.5	1.9	1427.7	2.0	1427.3	2.0	Annual	1979	
1401.4	−1.9	1405.1	−1.4	1408.4	−1.4	1427.7	0.0	Annual	1980	
								Gross National Product Deflator Index, 1972 = 100		
167.1	8.4%	167.1	8.4%	167.1	8.4%	167.1	8.4%	III	1979	Actual
171.0	9.4	171.2	9.8	170.9	9.3	171.1	9.8	IV	1979	Forecast
174.4	8.4	174.1	7.1	174.4	8.5	175.2	9.9	I	1980	
177.7	7.7	177.2	7.3	177.9	8.4	178.9	8.8	II		
180.8	7.2	180.7	8.0	181.5	8.3	182.3	7.8	III		
184.3	7.8	184.5	8.8	185.4	8.8	186.1	8.6	IV		
		187.4	6.4	189.2	8.5	190.1	8.9	I	1981	
		190.9	7.7	193.2	8.8	193.7	7.9	II		
		194.4	7.6	197.3	8.7	196.9	6.8	III		
165.5	8.9	165.6	8.9	165.5	8.9	165.6	8.9	Annual	1979	
179.3	8.3	179.1	8.2	179.8	8.6	180.6	9.1	Annual	1980	
								Unemployment Rate		
5.8%		5.8%		5.8%		5.8%		III	1979	Actual
6.1		6.4		6.1		6.4		IV	1979	Forecast
7.0		7.2		6.7		7.2		I	1980	
7.9		7.9		7.2		7.7		II		
8.3		8.2		7.5		7.9		III		
8.3		8.2		7.6		7.7		IV		
		8.3		7.9		7.7		I	1981	
		8.2		7.8		7.7		II		
		8.1		7.7		7.7		III		
5.7		5.9		5.8		5.9		Annual	1979	
7.9		7.9		7.2		7.6		Annual	1980	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900.

Selected International Comparisons

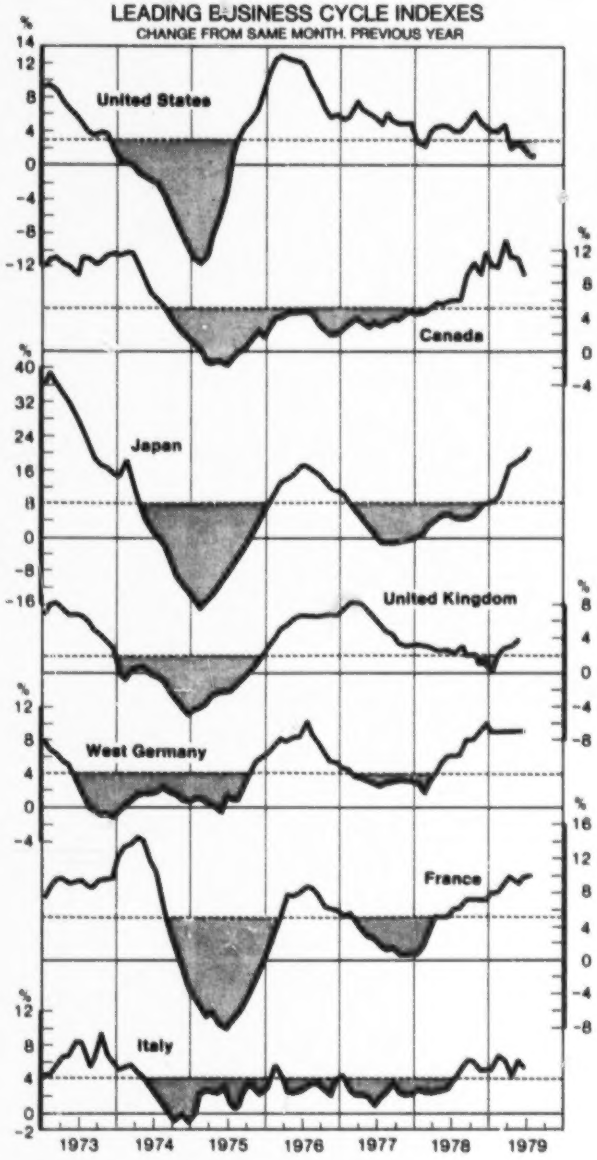
PRODUCTIVITY AND COSTS

INDEXES: 1967=100 RATIO SCALES

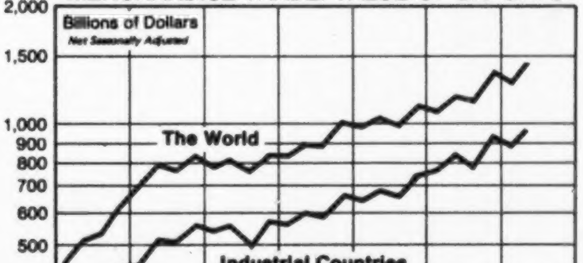


LEADING BUSINESS CYCLE INDEXES

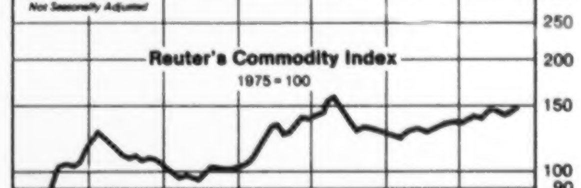
CHANGE FROM SAME MONTH, PREVIOUS YEAR



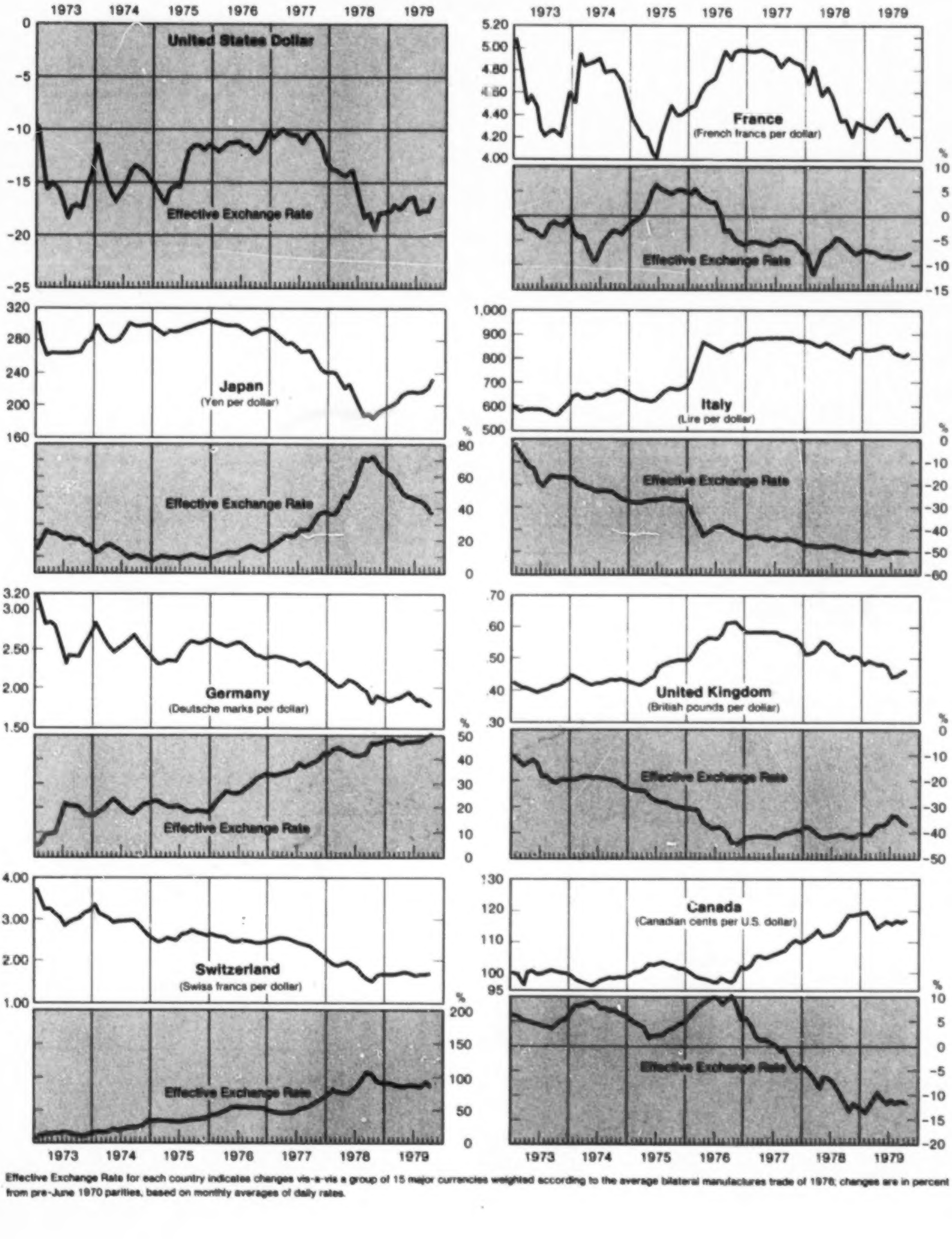
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



Exchange Rates – Foreign Countries



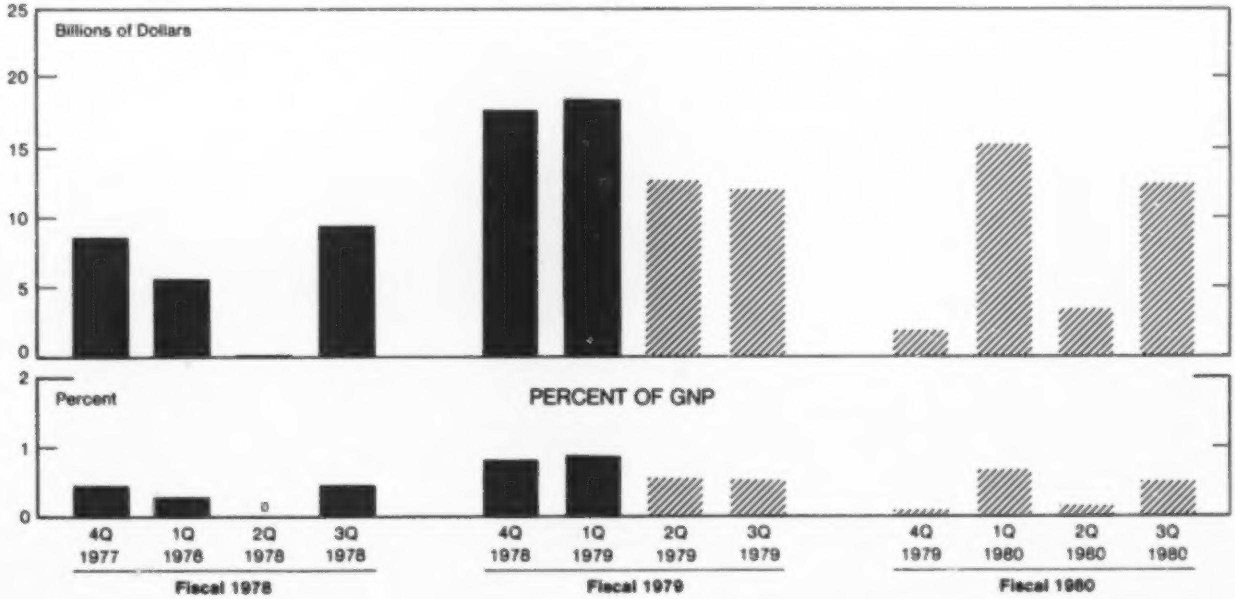
Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies weighted according to the average bilateral manufactures trade of 1976; changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1979			*Fiscal 1980*		
	Current Services	*Revised President's Proposal*	*Second Congressional Resolution*	*Current Services*	*President's Proposal*	*First Congressional Resolution*
	(1/23/78)	*(7/7/79)*	*(5/23/79)*	*(1/22/79)*	*(7/7/79)*	*(5/23/79)*
Receipts	**$463.8**	**$466.5**	**$461.0**	**$504.5**	**$513.8**	**$509.0**
Outlays	**492.4**	**496.2**	**494.5**	**536.1**	**542.4**	**532.0**
Deficit	**—28.5**	**—29.7**	**—33.5**	**—31.6**	**—28.7**	**—23.0**
Receipts by source	**463.8**	**466.5**	**461.0**	**504.5**	**513.8**	**509.0**
Individual income taxes	214.0	216.6	208.6	229.6	234.2	232.0
Corporate income taxes	68.8	67.8	70.2	71.0	71.5	72.0
Social insurance	142.5	141.3	142.1	161.2	162.6	161.8
Other receipts	38.5	40.8	40.1	42.7	45.5	43.2
Outlays by function	**492.4**	**496.2**	**494.5**	**536.1**	**542.4**	**532.0**
Income security	159.2	161.3	161.1	179.5	185.2	183.3
National defense	116.8	115.5	114.4	125.5	126.7	124.2
Health	50.3	49.4	49.7	55.1	54.4	53.6
Education and manpower	29.4	30.0	29.7	31.0	30.1	30.5
Veterans' benefits	18.9	20.3	20.2	20.4	20.8	20.6
Transportation	17.1	17.2	17.0	18.0	18.3	18.2
Natural resources and environment	12.0	11.2	11.3	11.8	11.5	11.7
Revenue sharing	9.5	8.7	8.8	9.2	9.0	8.1
International affairs	7.4	7.3	7.5	7.9	8.8	7.9
Energy	7.6	7.1	7.4	8.0	8.5	6.8
Community development	8.5	10.1	9.7	7.2	7.5	8.1
General science	5.1	5.1	5.2	5.4	5.7	5.5
Agriculture	5.5	6.7	6.2	5.0	2.5	5.4
Justice	4.1	4.3	4.2	4.3	4.4	4.4
General government	4.2	4.3	4.2	4.2	4.4	4.3
Commerce and housing credit	3.1	2.8	2.9	3.4	3.2	3.2
Interest	48.7	53.0	52.4	57.1	57.8	56.0
Allowances	1.1	0.1	0.7	2.1	2.1	— 0.1
Undistributed offsetting receipts	—16.1	—18.4	—18.1	—19.0	—18.7	—19.7

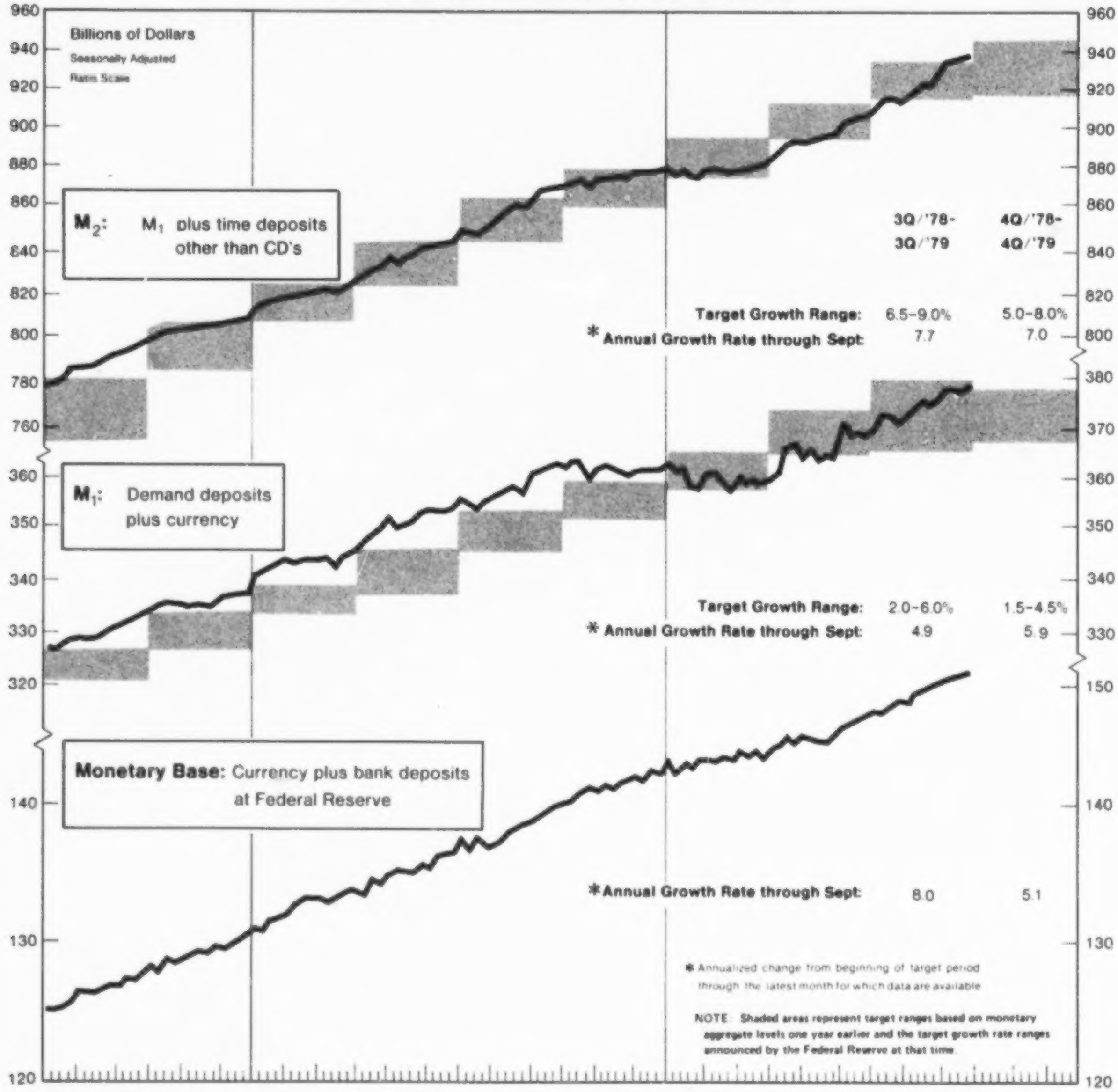
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



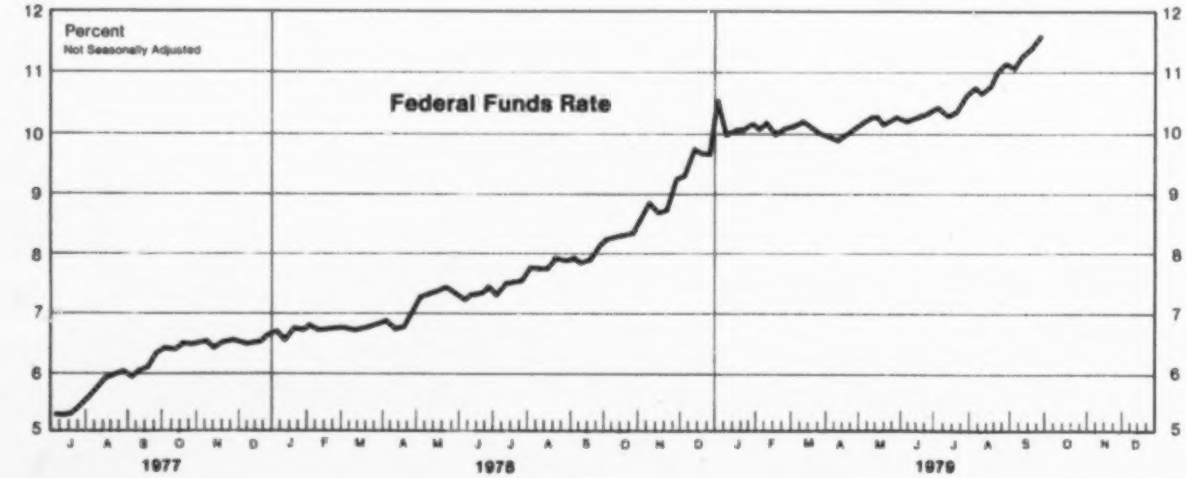
Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy*, Fiscal 1977, No. 2, The Conference Board, New York: 1976.

Money Supply and Monetary Growth Targets



* Annualized change from beginning of target period through the latest month for which data are available

NOTE: Shaded areas represent target ranges based on monetary aggregate levels one year earlier and the target growth rate ranges announced by the Federal Reserve at that time.



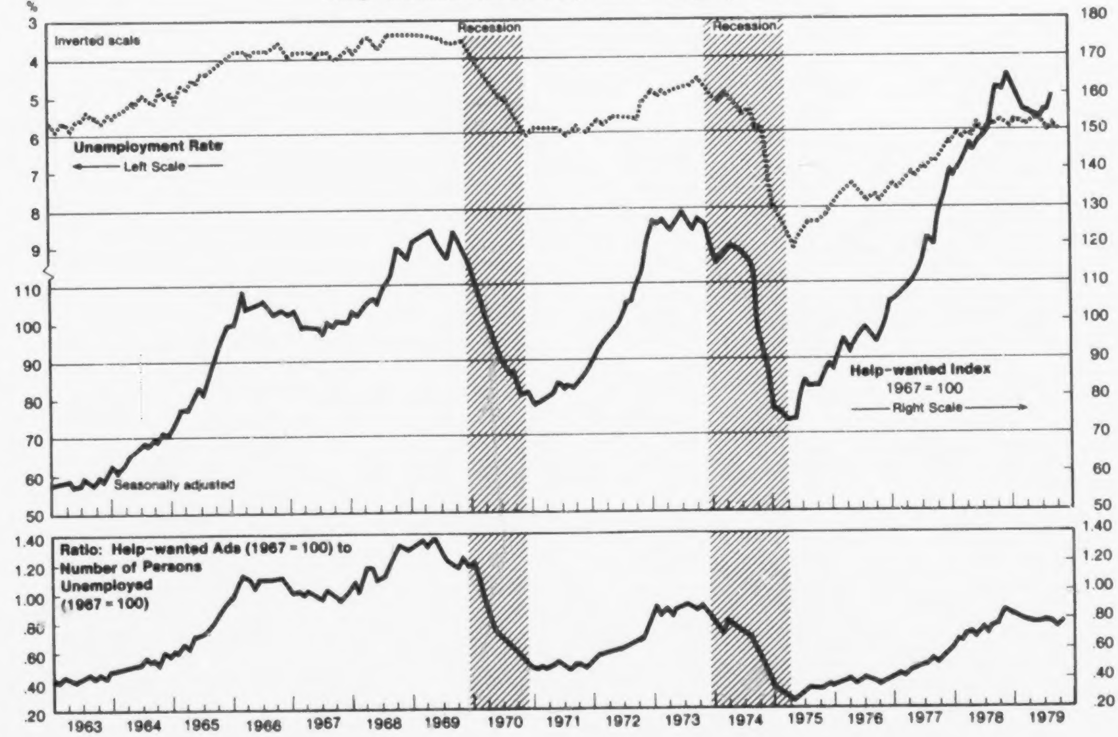
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1979	1979		1978
	Sept	Aug	July	Sept
Total Index **51 papers**	159	155	155	152
New England	140	137	137	132
Boston	143	141	143	134
Hartford	178	163	150	153
Providence	94	99	103	107
Middle Atlantic	74	72	73	67
Albany	103	104	108	101
Allentown	145	158	161	159
New York	63	60	60	n.a.
Philadelphia	69	68	73	67
Pittsburgh	102	102	96	96
Rochester	75	75	81	68
Syracuse	98	90	97	96
East North Central	115	118	122	127
Chicago	111	116	117	116
Cincinnati	159	170	165	175
Cleveland	111	111	121	120
Columbus	151	154	158	165
Dayton	95	95	96	108
Detroit	81	86	93	109
Gary	161	192	189	192
Indianapolis	133	137	140	150
Milwaukee	127	119	129	127
Toledo	139	139	143	155
West North Central	130	125	129	128
Kansas City	151	150	151	159
Minneapolis	158	150	152	137
Omaha	n.a.	n.a.	165	168
St. Louis	80	75	85	91
South Atlantic	163	154	155	147
Atlanta	238	219	225	214
Baltimore	n.a.	117	115	103
Charlotte	148	136	141	131
Jacksonville	121	128	127	123
Miami	178	164	160	170
Richmond	104	104	111	105
Washington, D.C.	161	156	154	140
East South Central	158	158	156	158
Birmingham	174	168	172	193
Knoxville	227	223	188	247
Louisville	103	106	113	116
Memphis	126	129	138	119
Nashville	202	203	193	167
West South Central	309	298	296	299
Dallas	283	258	261	259
Houston	453	431	433	434
New Orleans	188	210	198	206
Oklahoma City	241	241	238	247
San Antonio	192	186	180	173
Tulsa	264	255	248	275
Mountain	368	384	367	359
Denver	283	322	314	316
Phoenix	436	420	409	354
Salt Lake City	439	453	412	450
Pacific	236	222	218	206
Los Angeles	206	190	190	183
Sacramento	299	309	316	274
San Bernardino	185	176	171	151
San Diego	398	372	354	350
San Francisco	227	216	208	189
Seattle	286	264	253	246
Percentage of papers with rising volume	55%	41%	51%	49%
Unemployment rate	5.8%	6.0%	5.7%	6.0%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100

Monthly beginning July 1977; bimonthly before that date

Consumer Confidence Index

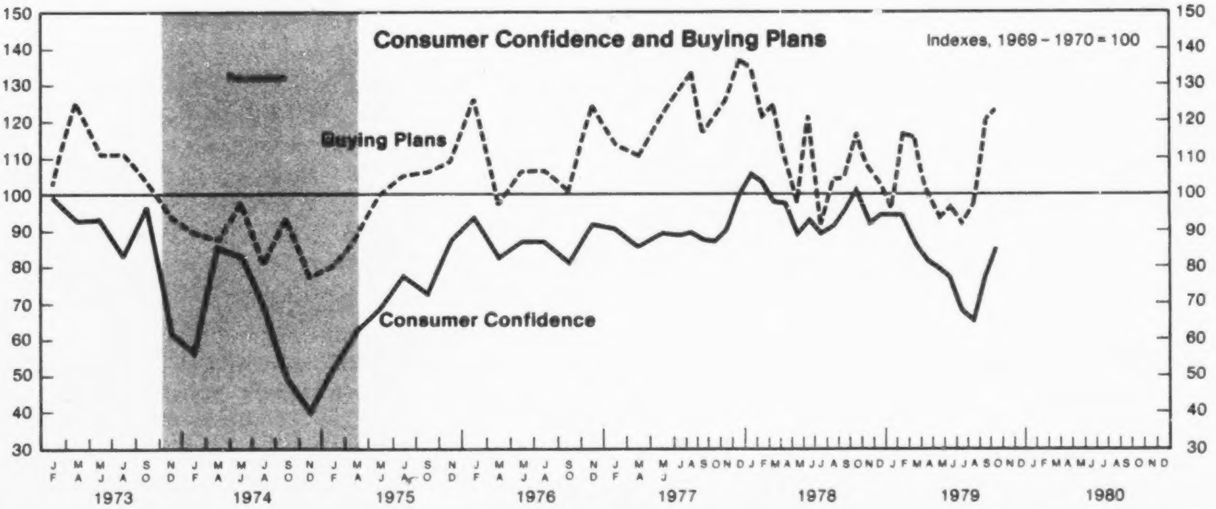
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1977	90.3		85.2		89.2		88.7	89.7	87.6	86.9	90.1	99.8
1978	105.2	103.8	97.3	96.9	88.8	92.5	88.8	91.4	95.4	101.4	91.8	94.0
1979	94.0	94.1	85.8	81.5	79.5	76.8	67.1	64.9	76.8r	85.6p		

Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1977	113.8		110.2		121.8		128.7	133.4	117.7	121.3	124.5	136.9
1978	134.3	120.7	124.3	109.5	97.1	121.7	91.2	104.0	104.2	116.9	106.4	103.1
1979	95.8	116.3	115.6	101.2	93.8	96.2	91.2	98.0	120.3r	122.9p		

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised



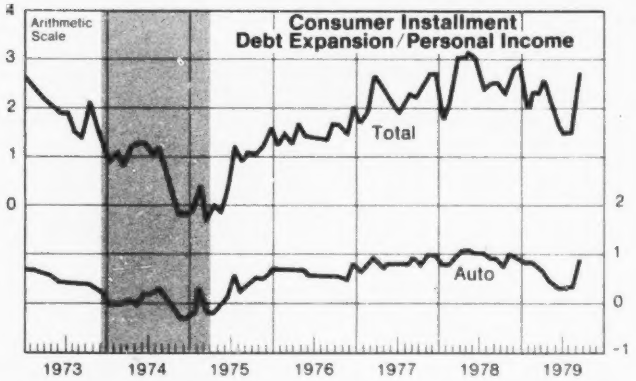
CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

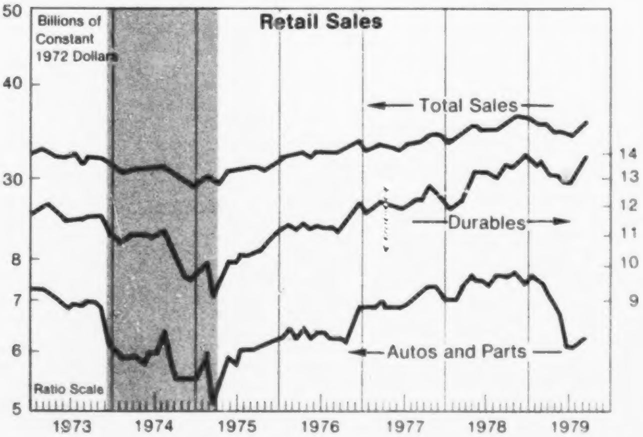
Billions of Dollars; Quarterly Data are Seasonally Adjusted at Annual Rates

		Aggregate Purchasing Power	Discretionary Purchasing Power	Discretionary Saving	Discretionary Spending	Discretionary Purchasing Power as % of Aggregate	Discretionary Spending as % of Aggregate	Discretionary Spending as % of Discretionary Purchasing Power
1975	I	$1075.2	$399.5	$ 67.5	$332.0	37.2%	30.9%	83.1%
	II	1155.6	469.7	125.2	344.5	40.6	29.8	73.3
	III	1160.5	453.4	125.8	327.6	39.1	28.2	72.3
	IV	1220.9	485.4	118.8	366.6	39.8	30.0	75.5
1976	I	1258.3	499.9	133.5	366.4	39.7	29.1	73.3
	II	1288.1	507.0	120.3	386.7	39.4	30.0	76.3
	III	1308.4	514.5	125.5	389.0	39.3	29.7	75.6
	IV	1343.4	533.7	118.2	415.5	39.7	30.9	77.9
1977	I	1394.3	560.4	139.4	421.0	40.2	30.2	75.1
	IIr	1432.2	583.3	143.2	440.1	40.7	30.7	75.4
	IIIr	1520.5	602.0	171.0	431.0	39.6	28.3	71.6
	IVr	1526.1	624.9	146.1	478.8	40.9	31.4	76.6
1978	Ir	1559.9	648.3	141.4	506.9	41.6	32.5	78.2
	IIr	1633.1	680.8	176.8	504.0	41.7	30.9	74.0
	IIIr	1672.4	693.1	184.2	508.9	41.4	30.4	73.4
	IVr	1701.4	690.9	150.3	540.6	40.6	31.8	78.2
1979	Ip	1746.1	712.2	149.5	562.7	40.8	32.2	79.0

Note: For an explanation of discretionary purchasing power and spending, see Morton Ehrlich, *Discretionary Spending*, (The Conference Board, 1966).

P—Preliminary R—Revised





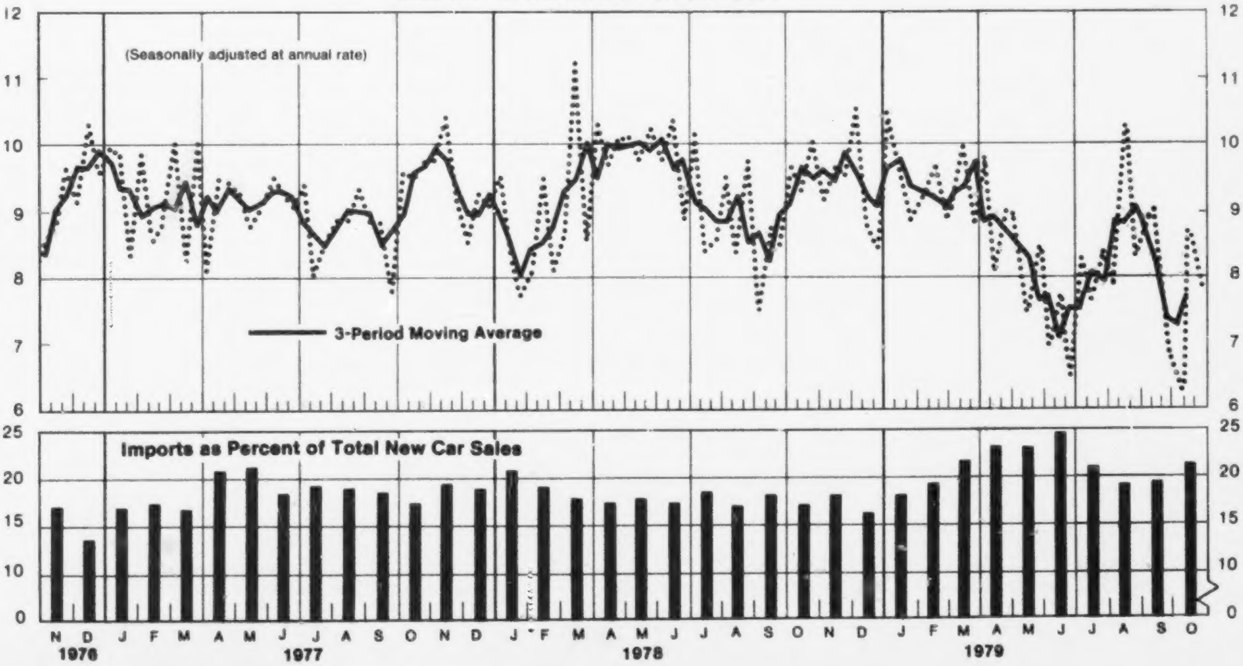
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1976	1977	1978	1979
January:	1-10	8.27	9.95	9.54	10.32
	11-20	8.54	9.81	8.28	9.85
	21-31	9.00	8.36	7.73	8.91
February:	1-10	8.31	9.87	8.03	9.38
	11-20	9.25	8.53	9.52	9.64
	21-28(29)	8.83	8.80	8.07	8.65
March:	1-10	8.45	10.04	8.65	9.12
	11-20	8.28	8.25	11.20	9.96
	21-31	9.39	10.01	8.59	8.73
April:	1-10	8.55	8.12	10.26	9.69
	11-20	9.21	9.47	9.67	8.09
	21-30	8.71	9.42	10.09	9.02
May:	1-10	8.64	9.25	10.10	8.97
	11-20	9.27	8.77	9.77	7.44
	21-31	7.88	9.04	10.22	8.42
June:	1-10	8.64	9.57	9.75	6.99
	11-20	8.16	9.27	10.33	7.67
	21-30	9.14	9.06	8.83	6.55
July:	1-10	8.16	9.38	10.18	8.28
	11-20	8.77	8.02	8.40	7.61
	21-31	8.16	8.58	8.56	8.38
August:	1-10	8.92	8.89	9.49	7.84
	11-20	7.57	8.84	8.38	10.25
	21-31	7.56	9.32	9.76	8.30
September:	1-10	7.99	8.84	7.50	8.67
	11-20	8.21	8.81	8.75	9.01
	21-30	8.39	7.80	8.47	6.82
October:	1-10	8.33	9.56	9.68	6.32
	11-20	8.18	9.51	9.28	8.75
	21-31	7.79	9.73	10.05	7.87
November:	1-10	8.53	9.73	9.17	
	11-20	8.86	10.42	9.61	
	21-30	9.68	9.19	9.53	
December:	1-10	9.11	8.52	10.56	
	11-20	10.29	9.23	8.72	
	21-31	9.56	9.06	8.40	

Note: Dealer sales exclude exports and imported foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.

Millions of Domestic-Model Cars



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STATISTICAL BULLETIN

Volume 12 No. 12, December, 1979

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THE CONFERENCE BOARD

comment From some time now, a basic economic scenario, leading to recession, had been chronicled in this space. The date of the recession's onset however, has been steadily pushed back. This has led some, perhaps, to doubt the validity of this line of thought. Still, the case for a recessionary outlook appears more clear now than before. Briefly, the view has been that consumer buying, which was responsible for much of the strength of the expansion, was heavily financed by borrowing. Once consumer borrowing peaked—and it did so at the end of 1978—consumer spending could be expected to fall off. Business, faced with a choice of cutting production or accumulating inventory, would probably opt for the former course of action. And the weakness in consumer markets would erode the strength in capital goods markets.

As everyone knows, it did not exactly happen that way. When consumers stopped buying, business did not cut production but accumulated inventory. While some steam went out of business spending, it remained vigorous through the third quarter of 1979. The single most important factor in these developments was the low level of real interest rates—the rate of interest relative to the rate of inflation. Financing inventory by borrowing against a low real interest rate was, for many, a more attractive alternative than modifying planned production schedules.

Federal Reserve actions to hike interest rates have raised the level of real interest rates significantly (see chart below). Now the probabilities of either accumulating inventory or cutting back on production have shifted. And business spending has lost some of its strength. The *Economic Forecasts* differ about when—not whether—the recession will begin. The question of timing is related to the question of severity in that the longer it takes for these developments to run their course, the more occasions may arise for disruption of steady, smooth-running supply stream. While data on capacity utilization rates suggest no major problems have yet developed in this area, there is more concern in this regard at the end of 1979 than there was at the end of 1978.

One particularly puzzling part of the economic picture is the continued strong activity in the labor market. As long ago as mid-1978, there was a suggestion of some labor hoarding—that is, at least some hiring was occurring to fill anticipated requirements. Perhaps that explains why help-wanted ad volume was rising in the last half of 1978, even though the unemployment rate dipped just under 6% in June and stayed there through the end of that year. The Conference Board's *Help-wanted-Index* did decline earlier this year but has since regained all of that drop, and the unemployment rate is still sticking at a level just under 6 percent. The continued strength in the labor market, whether the hiring has been in response to actual or anticipated needs, has clearly helped bolster consumer attitudes, as indicated in the recent gains registered by The Conference Board's *Consumer Confidence Index*. And consumers, feeling a little less uneasy about the economy (especially about the prospect of being laid off), stepped up their spending—on credit—in September. The borrowing subsided in October, and so did retail sales, but consumer markets remained more active this Fall than they had been this past Summer. The spurt in sales arrested the buildup in inventories and the inventory/sales ratios dipped slightly.

Data on The Conference Board's *Capital Appropriations and Expenditures* by the nation's 1,000 largest manufacturers showed business spending was stronger than expected in the third quarter of 1979. A careful review of the data reveals that appropriations were essentially flat in every industry except petroleum—where they rose substantially. Hence the view that business spending is not as strong now as it had been earlier this year, when consumer spending started to falter. Moreover, profit margins of nonfinancial corporations, which had fallen in both the first and second quarters of 1979, fell further in the third quarter. The flow of internal funds available

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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THE CONFERENCE BOARD IN CANADA
25 McArthur Road
Ottawa, Ontario, K1L-6R3, Canada

845 Third Avenue
New York, New York 10022

THE CONFERENCE BOARD IN EUROPE
Avenue Louise, 326-Bte 48
B-1050 Brussels, Belgium

for investing in new plant and equipment, then, has been diminishing steadily. Interest rate hikes, on the other hand, have been increasing the cost of borrowing external funds. The Conference Board's *Capital Appropriations and Expenditures* model shows that business spending will continue to lose steam. If consumer spending does start to decline again, business spending will not be strong enough to prop a faltering economy to the extent it did earlier this year.

Real GNP rose in the third quarter of 1979, after having declined in the second quarter. That development has led some to doubt whether the economy was indeed headed for recession or, rather, to some pause in the expansion path the economy has been on for the last four years. The *Economic Forecasts* unanimously agree that the economy is headed straight toward a recession. The median of the forecasts is that real output is declining by a seasonally adjusted 2.3% annual rate in the fourth quarter of 1979, and will fall by an even steeper 3.8% in the first quarter of 1980, followed by a 1.7% decrease in the second quarter. Economic activity is anticipated to be quite sluggish in the third quarter (median forecast of a 1.7% rise in real output) and, finally, a new expansionary phase of the business cycle will begin in the fourth quarter (median forecast of a 3.2% rise in real GNP) and continue on that path through 1981.

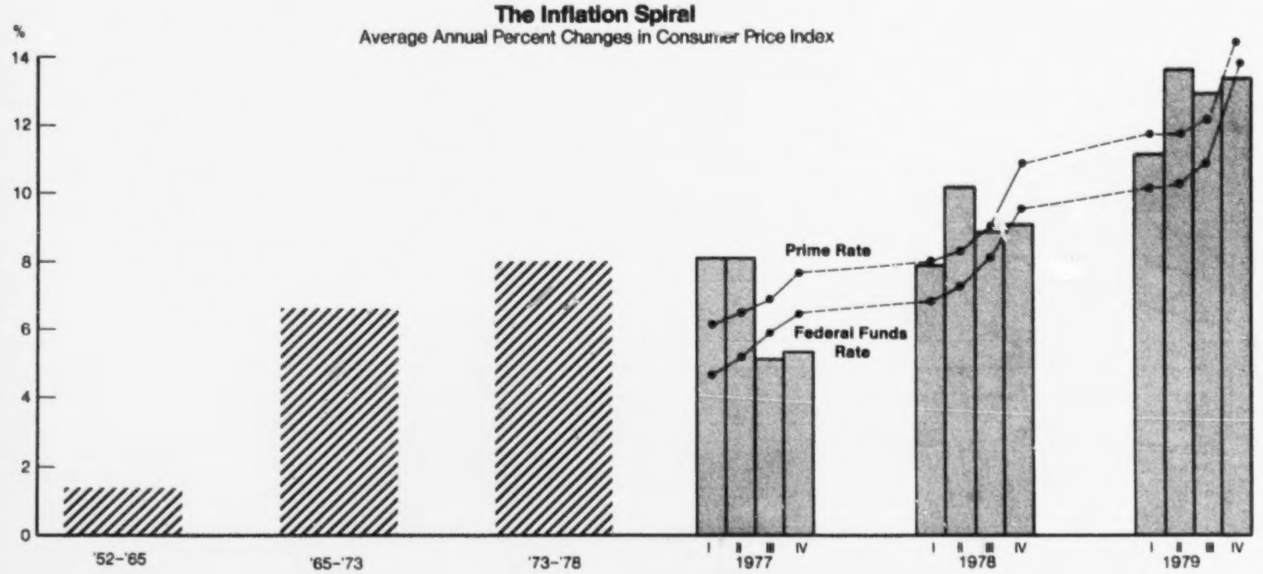
While all the forecasts show a recession will occur, and most expect now that it will last for at least three—possibly four—quarters, there is disagreement about its timing. Specifically, the majority view is that the economy is beginning to undergo a recession in the fourth quarter of 1979, will continue in recession through the second quarter of next year, experience one quarter of very sluggish activity, and then resume expansion in the last quarter of 1980. Some forecasts, including that from The Conference Board, anticipate a transition period (of neither expansion nor recession) for the final quarter of this year. This view, then, has the recession starting in the first quarter of 1980 and ending in the third quarter of the year. Even among this group of forecasts, there is divergence of opinion as to whether the economy will resume expansion immediately or will still undergo a transitionary quarter first. Withall, it is clear that the recent spate of good economic news may be the last until about this time next year.

Despite the prospect of a much slower rate of economic activity as well as rather restrictive, anti-inflationary monetary and fiscal policy, the expectation is for not very much improvement in the rate of inflation. The median forecast is that the rate of increase in the implicit price deflator for GNP will slow to only about 7.7% by the end of 1980 before embarking upon a new upward spiral. The rationale for not expecting more improvement lies not so much in arguments over cost-push or price-pull factors as with external price pressures. The increases in energy prices, and anticipated further increases being considered by OPEC as this is written, have led some to label this problem "oilflation." To the extent that there is validity in the external pressure argument, neither a slowdown of economic activity nor monetary or fiscal medicine will cure the pain of importing inflation in the form of continued steep increases in oil prices.

Ken Goldstein

The Inflation Spiral

Average Annual Percent Changes in Consumer Price Index



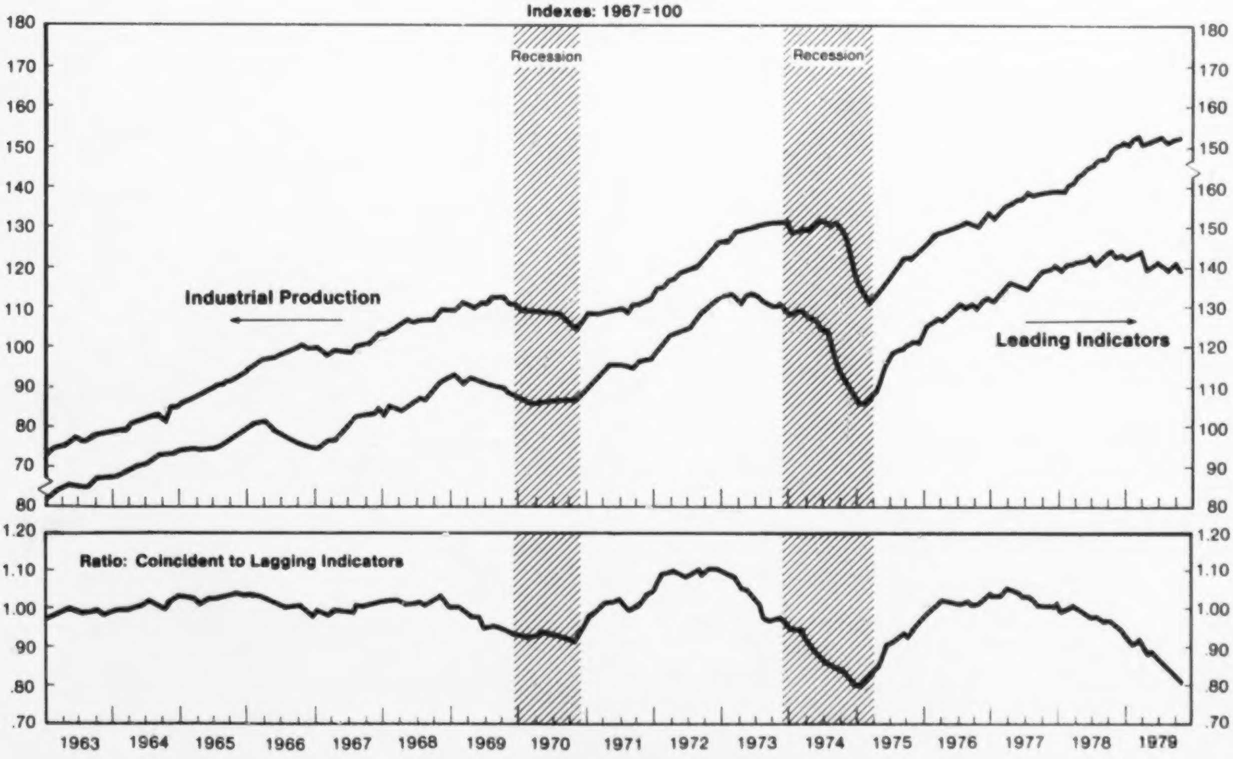
STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Oct.			X	—0.9%	— 3.3%
Capital Investment Commitments						
*Contracts & orders, plant & equipment (deflated)	Oct.			X	— 1.5%	—14.2%
New orders, nondefense capital goods (deflated)	Oct.			X	— 0.9%	—10.1%
*Net business formation	Aug.		X		+ 1.0%	— 1.2%
*Housing permits	Oct.		X		+ 1.0%	—16.3%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Oct.		X		+ 1.0%	— 6.2%
*Change in inventory, on hand & order (deflated)	Sept.			X	— 7.9%	— 6.9%
Purchasing agents' buying policy	Nov.		X		+ 2 %	— 2 %
*Vendor performance, reported slower deliveries	Oct.			X	—16.7%	—26.5%
Industrial raw materials prices	Nov.		X		+ 1.8%	+ 19.2%
*Change in sensitive prices	Oct.		X		+ 0.2%	+ 1.0%
Sensitive Financial Flows						
*Money balance (M2, deflated)	Oct.			X	— 0.5%	— 3.9%
Change in business loans	Nov.			X	—45.3%	—25.9%
*Change in liquid assets	Oct.		X		— 0.1%	— 0.1%
Change in consumer installment debt	Sept.	X			+ 22.7%	+ 9.2%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			3.7%	8.9%
*Common stock prices	Nov.		X		— 4.6%	+ 8.1%
Marginal Employment Adjustments						
*Average workweek, mfg.	Nov.		X		— 0.1	— 0.7
Initial unemployment claims (inverted)	Oct.		X		— 0.3%	—22.8%
*Layoff rate, mfg. (inverted)	Oct.		X		— 0.1	+ 6.2

Note: For historical data of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Business Conditions Digest*, (Washington, D.C.: Government Printing Office, July, 1978, p. 100. For a description of the index, see November, 1975, page V.)
*These twelve series make up the composite leading index charted below.

Economic Indicators

Indexes: 1967=100



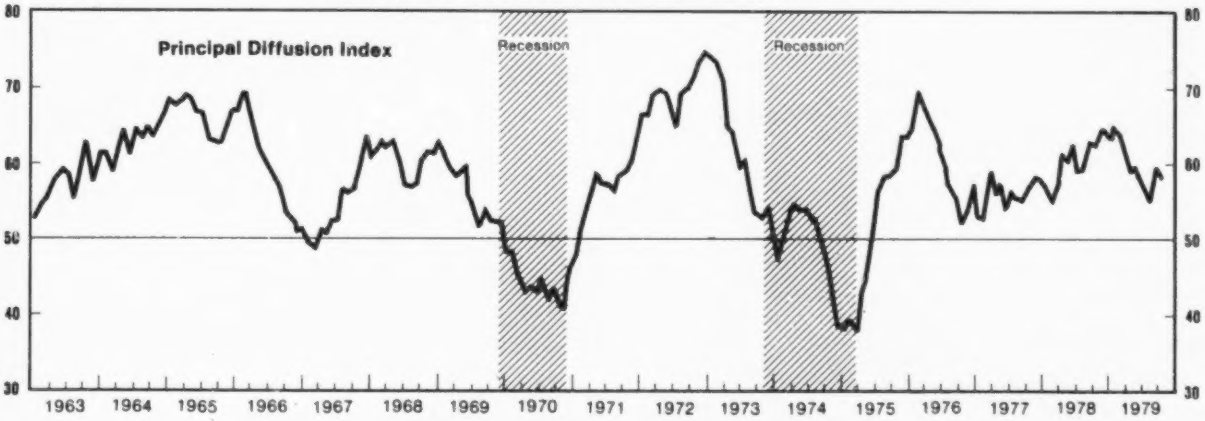
CONFERENCE BOARD DIFFUSION INDEXES

	1978	1979			
DIFFUSION INDEXES	Oct.	July	Aug.	Sept.	Oct.(e)
Principal Diffusion Index	67.8r	57.0	55.6r	59.6r	58.0
Auxiliary Diffusion Index	52.5r	46.9	45.5r	62.7r	45.1
Industrial Group	66.5	50.1	46.7r	50.6r	50.8
Nonindustrial Group	69.1	64.0	64.6	68.5r	65.3
Sense of Diffusion	1.0	1.0	0.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	76.9	58.8	58.5r	61.3r	61.8
Labor	63.2	42.3	36.2	42.9r	46.7
Miscellaneous	59.3	56.4	55.1	53.8	44.9
Nonindustrial Subgroups					
Prices	71.8	75.6	71.8	76.3	73.1
Consumer	83.3	70.5	73.9	77.4	70.5
Building	62.8	44.9	44.9	52.6	52.6
Miscellaneous	57.3	62.4	63.7	65.0r	63.2

Note: The principal diffusion index reflects the frequency of upward change in 20 component series over the 12-month period ending in the month indicated. The index is based solely on the direction of change from month to month and not on the magnitude of such changes. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than that of earlier movements. If, for example, ten of the component series had increased and ten had decreased in each of the last twelve months, the current index would register a value of 50. But, because of weighting, the index would be considerably greater than 50, if all the series had increased in each of the last six months and had fallen in each of the first six months of the interval. The index closely coincides with turning points at the peak of a business cycle but tends to lag at troughs. For an explanation of the diffusion indexes and their components, see Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966, pp. 12-15.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1977				1978				1979		
	Feb.	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*
	Score (scale 0-100)										
Measure of Business Confidence	69	71	59	52	52	58	49	40	43	41	32
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	65	74	62	48	46	60	58	45	47	47	28
2. Expectations for Economy, Six Months Ahead	71	70	56	49	49	54	42	33	36	33	29
3. Expectations for Own Industry, Six Months Ahead	70	68	60	58	59	60	49	43	46	43	38

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

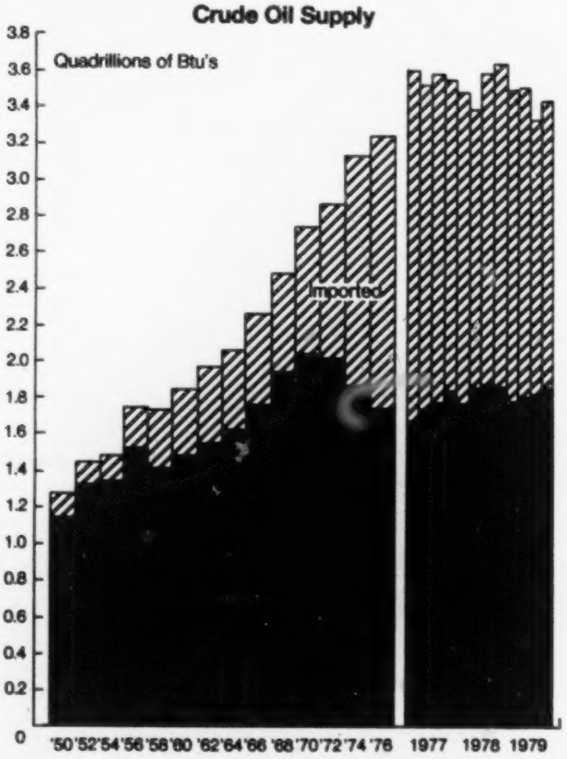
CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

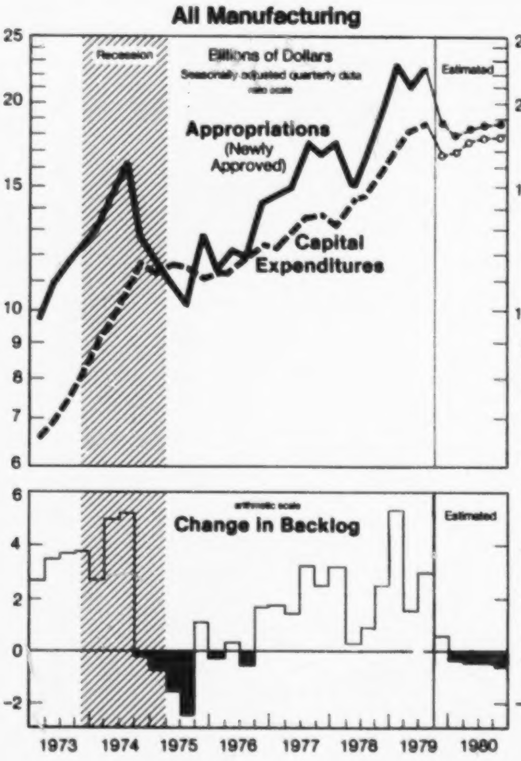
Billions of Dollars, Seasonally Adjusted

	1978			1979				1980			
							PROJECTIONS				
	IIr	IIIr	IVr	Ir	IIr	IIIp	IV	I	II	III	IV
1000 LARGEST MANUFACTURING FIRMS											
Newly approved	15.118	16.174	18.749	22.585	21.033	22.520	18.6	17.8	18.3	18.5	18.6
Capital expenditures	14.367	14.566	15.827	16.648	18.027	18.553	16.7	16.9	17.5	17.7	17.8
Change in appropriations backlog	+0.246	+0.859	+2.593	+5.252	+1.468	+3.579	+0.5	—0.3	—0.4	—0.4	—0.5
Durable Goods											
Newly approved	7.456	8.443	9.869	11.114	10.672	9.992	8.6	8.7	8.4	7.7	7.4
Capital expenditures	6.503	6.689	7.165	7.793	8.379	8.982	8.1	8.3	8.3	8.2	7.8
Change in appropriations backlog	+0.730	+1.495	+2.676	+3.149	+1.970	+0.908					
Nondurable Goods											
Newly approved	7.662	7.731	8.880	11.471	10.361	12.528	10.3	9.1	10.0	10.8	11.3
Capital expenditures	7.864	7.877	8.662	8.855	9.648	9.571	8.6	8.6	9.2	9.6	10.0
Change in appropriations backlog	—0.484	—0.636	—0.083	+2.103	—0.502	+2.671					
ELECTRIC & GAS UTILITIES											
Appropriations	5.765	8.719	10.281	7.077	5.773	12.635					
Capital expenditures	6.283	6.514	7.025	7.173	7.120	7.237					
Change in appropriations backlog	—1.242	—3.185	+2.471	—3.601	—3.944	+4.762					

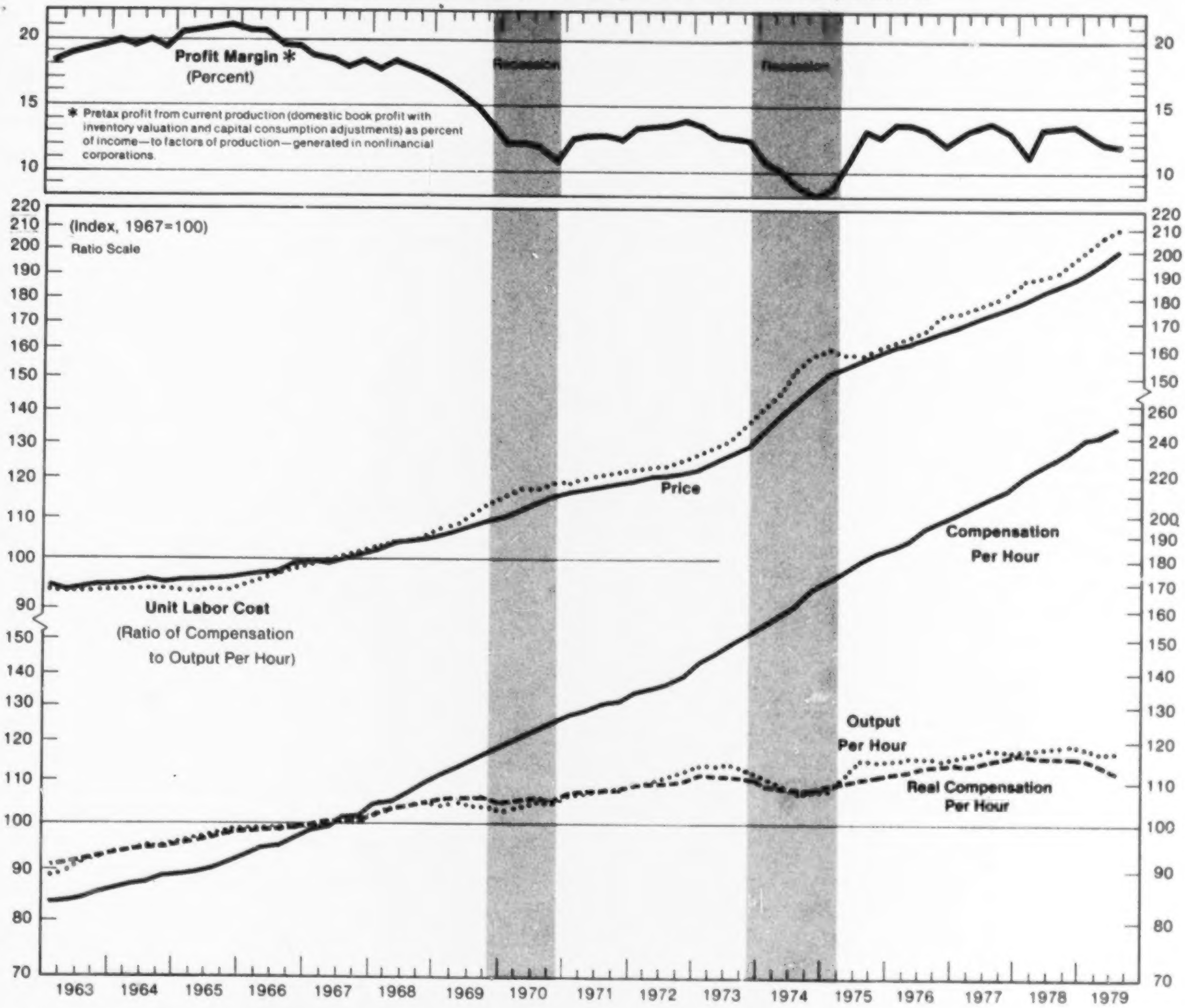
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request. Projections are based on The Conference Board's capital appropriations forecasting model.

r—revised p—preliminary



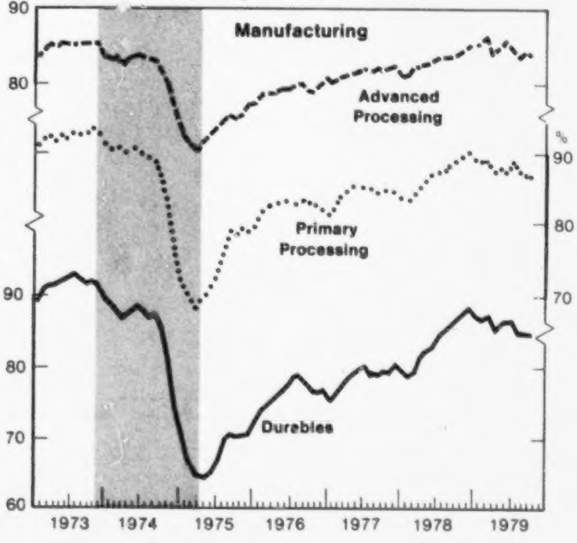


Key Determinants of Profit Margin–Nonfinancial Corporations

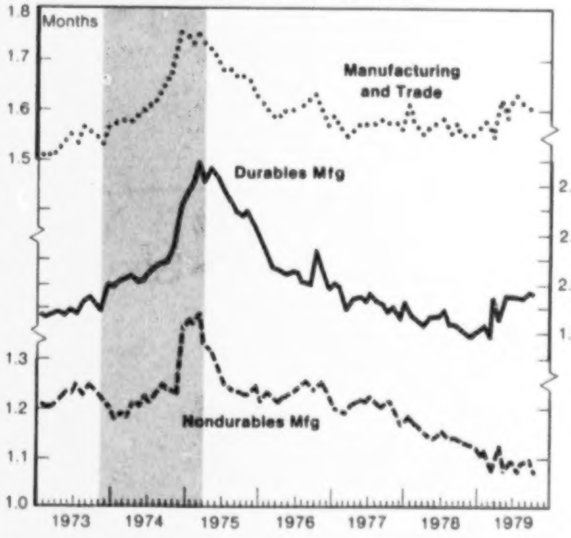


* Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income—to factors of production—generated in nonfinancial corporations.

Capacity Utilization Rates



Inventory-Sales Ratios



Sources: Bureau of Economic Analysis; Bureau of Labor Statistics

Seasonally Adjusted

ECONOMIC FORECASTS

			ASA-NBER Survey of Regular Forecasters[1]		Merrill Lynch Economics Inc.[1]		Kent Economic Institute[2]		Michigan Research Seminar in Quantitative Economics[1]	
Date of Forecast			*Nov., 1979*		*Oct., 1979*		*Nov., 1979*		*Nov, 1979*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Current Dollars										
Actual	**1979**	**III**					**$2395.4**	**11.7%**		
Forecast	1979	IV	$2434.0	7.3%	$2442.5	8.8%	2418.5	3.9	$2450.7	10.3%
	1980	I	2464.0	5.0	2464.6	3.7	2453.3	5.9	2500.0	8.3
		II	2497.0	5.5	2487.9	3.8	2510.7	9.7	2543.0	7.1
		III	2550.0	8.8	2540.9	8.8	2589.6	13.2	2589.9	7.6
		IV	2616.0	10.8	2616.5	12.4	2655.1	10.5	2649.4	9.5
	1981	I			2689.3	11.6	2710.4	8.6	2706.8	8.9
		II			2759.4	10.8	2782.1	11.0	2771.1	9.9
		III					2872.2	13.6		
	1979	Annual	2361.8	11.0	2364.0	11.1	2358.9	10.9	2365.4	11.2
	1980	Annual	2531.7	7.2	2527.5	6.9	2552.2	8.2	2570.6	8.7
Gross National Product Constant (1972) Dollars										
Actual	**1979**	**III**					**$1434.4**	**3.4%**		
Forecast	1979	IV	$1425.0	−1.6%	$1427.9	−0.8%	1421.8	−3.5	$1431.4	0.2%
	1980	I	1410.3	−4.1	1409.7	−5.0	1414.8	−2.0	1428.1	−0.9
		II	1400.4	−2.8	1394.0	−4.4	1416.9	0.6	1424.1	−1.1
		III	1406.5	1.8	1393.2	−0.2	1430.7	4.0	1422.8	−0.3
		IV	1417.3	3.1	1409.2	4.7	1443.8	3.7	1425.8	0.8
	1981	I			1426.1	4.9	1450.2	1.8	1428.9	0.9
		II			1441.0	4.2	1463.5	3.7	1434.9	1.7
		III					1473.7	2.8		
	1979	Annual	1427.2	2.0	1427.9	2.0	1427.3	2.0	1427.9	2.0
	1980	Annual	1408.6	−1.3	1401.5	−1.8	1426.5	−0.1	1425.2	−0.2
Gross National Product Deflator Index, 1972 = 100										
Actual	**1979**	**III**					**167.0**	**8.0%**		
Forecast	1979	IV	171.0	9.7%	171.1	9.7%	170.1	7.6%	171.2	10.1%
	1980	I	174.4	8.2	174.8	9.1	173.4	8.0	175.1	9.3
		II	178.0	8.5	178.5	8.6	177.2	9.0	178.6	8.3
		III	181.6	8.3	182.4	9.0	181.0	8.9	182.0	8.0
		IV	185.0	7.7	185.7	7.4	183.9	6.6	185.8	8.6
	1981	I			188.6	6.4	186.9	6.7	189.4	8.0
		II			191.5	6.3	190.1	7.0	193.1	8.0
		III					194.9	10.5		
	1979	Annual	165.5	8.9	165.6	8.9	165.3	8.7	165.6	9.0
	1980	Annual	179.7	8.6	180.3	8.9	178.9	8.2	180.4	8.9
Unemployment Rate										
Actual	**1979**	**III**					5.8%			
Forecast	1979	IV	6.2%		6.4%		6.5		6.1%	
	1980	I	6.8		7.2		7.1		6.4	
		II	7.4		8.1		7.0		6.9	
		III	7.4		8.5		6.6		7.3	
		IV	7.5		8.6		6.8		7.6	
	1981	I			8.4		6.2		7.9	
		II			8.4		6.5		8.1	
		III					6.4			
	1979	Annual	5.8		5.9		6.0		5.8	
	1980	Annual	7.3		8.1		6.9		7.1	

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary third quarter data.

[2] Based on revised (first revision) third quarter data.

[3] Based on revised (second revision) third quarter data.

[4] Based on revised 4th quarter data.

ECONOMIC FORECASTS (continued)

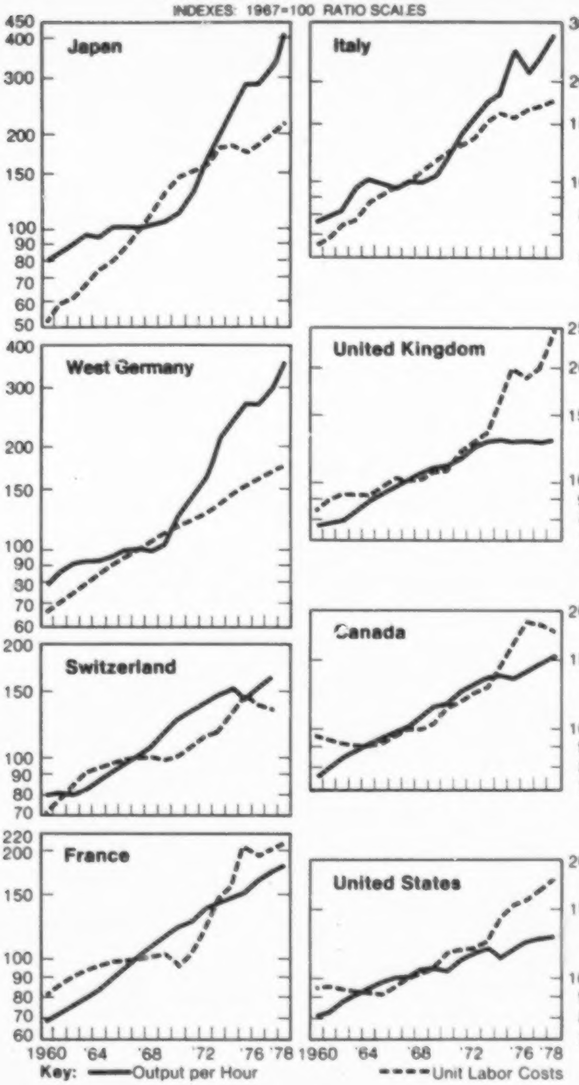
The Conference Board[1]		Chase Econometric Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Nov., 1979		*Nov., 1979*		*Nov., 1979*		*Nov., 1979*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Current Dollars		
$2395.4	**11.7%**	**$2395.4**	**11.7%**	**$2395.4**	**11.7%**	**$2395.4**	**11.7%**	**III**	**1979**	**Actual**
2446.0	**8.7**	2437.3	**7.2**	2439.1	**7.5**	2443.2	**8.2**	IV	1979	Forecast
2465.0	**3.1**	2443.4	**1.0**	2461.0	**3.6**	2489.6	**7.8**	I	1980	
2493.0	**4.6**	2476.4	**5.5**	2495.7	**5.8**	2536.6	**7.8**	II		
2529.0	**5.9**	2529.7	**8.9**	2556.2	**10.1**	2592.3	**9.1**	III		
2601.0	**11.9**	2606.0	**12.6**	2623.1	**10.9**	2669.6	**12.5**	IV		
		2667.9	**9.8**	2703.6	**12.9**	2751.1	**12.8**	I	1981	
		2738.6	**11.0**	2789.3	**13.3**	2827.8	**11.6**	II		
		2811.3	**11.0**	2879.9	**13.6**	2899.7	**10.6**	III		
2365.8	**11.2**	2363.6	**11.1**	2363.1	**11.1**	2364.1	**11.1**	Annual	1979	
2522.0	**6.6**	2513.9	**6.4**	2534.0	**7.2**	2572.0	**8.8**	Annual	1980	
								Gross National Product Constant (1972) Dollars		
$1434.4	**3.4%**	**$1434.4**	**3.4%**	**$1434.4**	**3.4%**	**$1434.4**	**3.4%**	**III**	**1979**	**Actual**
1434.4	**0.0**	1425.4	**—2.5**	1426.0	**—2.3**	1425.7	**—2.4**	IV	1979	Forecast
1417.6	**—4.6**	1403.0	**—6.1**	1409.4	**—4.6**	1418.2	**—2.1**	I	1980	
1406.9	**—3.0**	1396.9	**—1.7**	1400.8	**—2.4**	1412.0	**—1.7**	II		
1403.3	**—1.0**	1400.9	**1.1**	1406.7	**1.7**	1413.7	**0.5**	III		
1418.1	**4.3**	1412.8	**3.4**	1413.3	**1.9**	1423.4	**2.8**	IV		
		1424.8	**3.4**	1426.4	**3.8**	1435.2	**3.4**	I	1981	
		1435.4	**3.0**	1443.6	**4.9**	1447.8	**3.6**	II		
		1446.8	**3.2**	1461.4	**5.0**	1461.6	**3.9**	III		
1430.4	**2.2**	1428.2	**2.1**	1427.4	**2.0**	1427.3	**2.0**	Annual	1979	
1411.5	**—1.3**	1403.4	**—1.7**	1407.5	**—1.4**	1416.8	**—0.7**	Annual	1980	
								Gross National Product Deflator Index, 1972 = 100		
167.0	**8.0%**	**167.0**	**8.0%**	**167.0**	**8.0%**	**167.0**	**8.0%**	**IV**	**1979**	**Actual**
170.5	**8.7**	171.0	**9.9**	171.0	**10.1**	171.4	**10.9**	IV	1979	Forecast
173.9	**8.1**	174.2	**7.6**	174.6	**8.6**	175.5	**10.1**	I	1980	
177.2	**7.8**	177.3	**7.4**	178.2	**8.4**	179.6	**9.7**	II		
180.2	**7.0**	180.6	**7.7**	181.7	**8.2**	183.4	**8.6**	III		
183.4	**7.3**	184.5	**8.9**	185.6	**8.8**	187.6	**9.4**	IV		
		187.2	**6.2**	189.5	**8.8**	191.7	**9.1**	I	1981	
		190.8	**7.8**	193.2	**8.0**	195.3	**7.8**	II		
		194.3	**7.6**	197.1	**8.2**	198.4	**6.4**	III		
165.4	**8.8**	165.5	**8.9**	165.6	**8.9**	165.6	**9.0**	Annual	1979	
178.7	**8.0**	179.1	**8.2**	180.0	**8.7**	181.5	**9.6**	Annual	1980	
								Unemployment Rate		
5.8%		**5.8%**		**5.8%**		**5.8%**		**III**	**1979**	**Actual**
6.2		6.3		6.1		6.3		IV	1979	Forecast
6.9		6.9		6.7		7.0		I	1980	
7.6		7.7		7.1		7.6		II		
8.1		8.1		7.5		8.0		III		
8.0		8.2		7.7		8.0		IV		
		8.3		7.8		8.1		I	1981	
		8.3		7.8		8.1		II		
		8.2		7.7		8.1		III		
5.8		5.9		5.9		5.9		Annual	1979	
7.6		7.7		7.3		7.7		Annual	1980	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900.

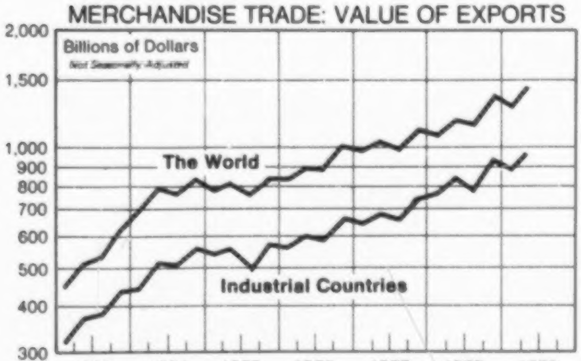
Selected International Comparisons

PRODUCTIVITY AND COSTS

INDEXES: 1967=100 RATIO SCALES

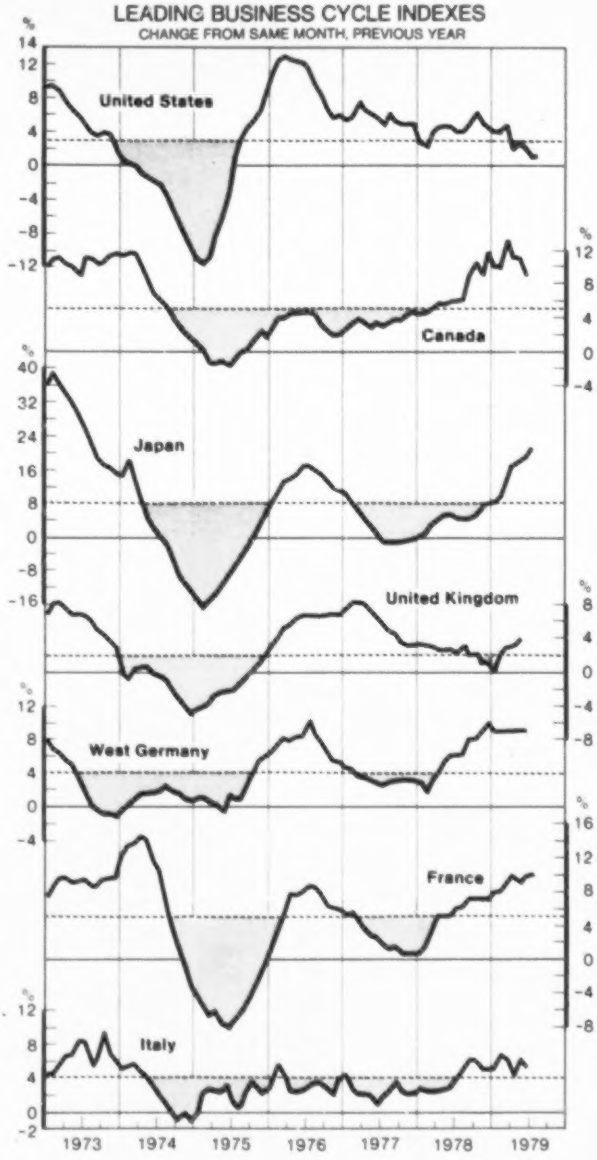


MERCHANDISE TRADE: VALUE OF EXPORTS

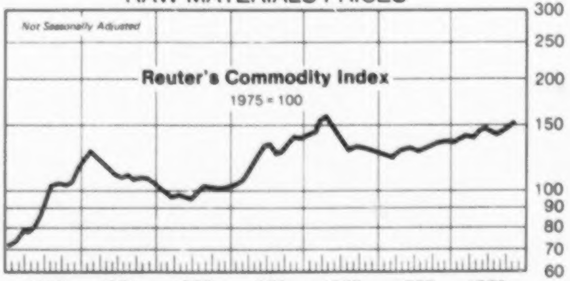


LEADING BUSINESS CYCLE INDEXES

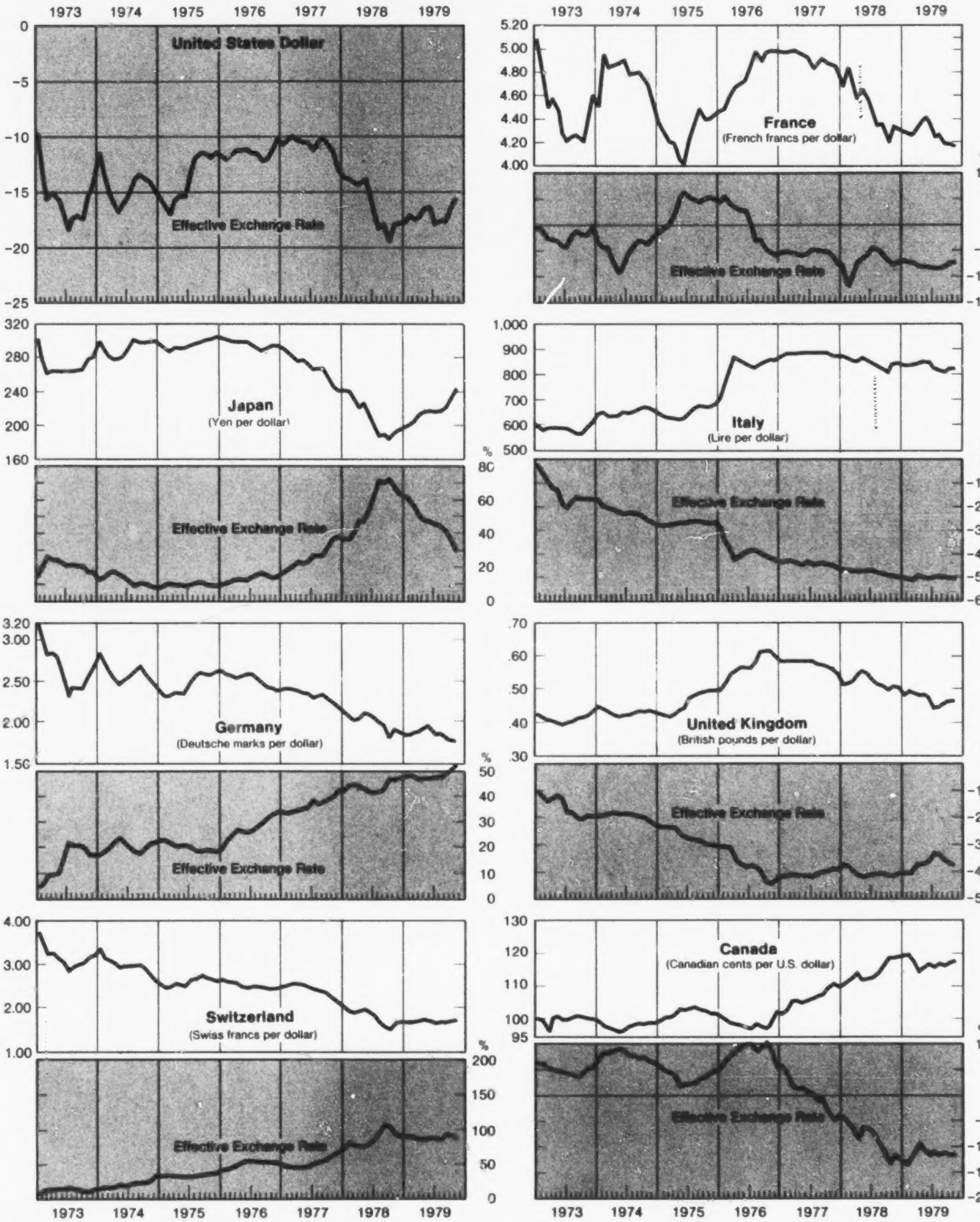
CHANGE FROM SAME MONTH, PREVIOUS YEAR



RAW MATERIALS PRICES



Exchange Rates – Foreign Countries



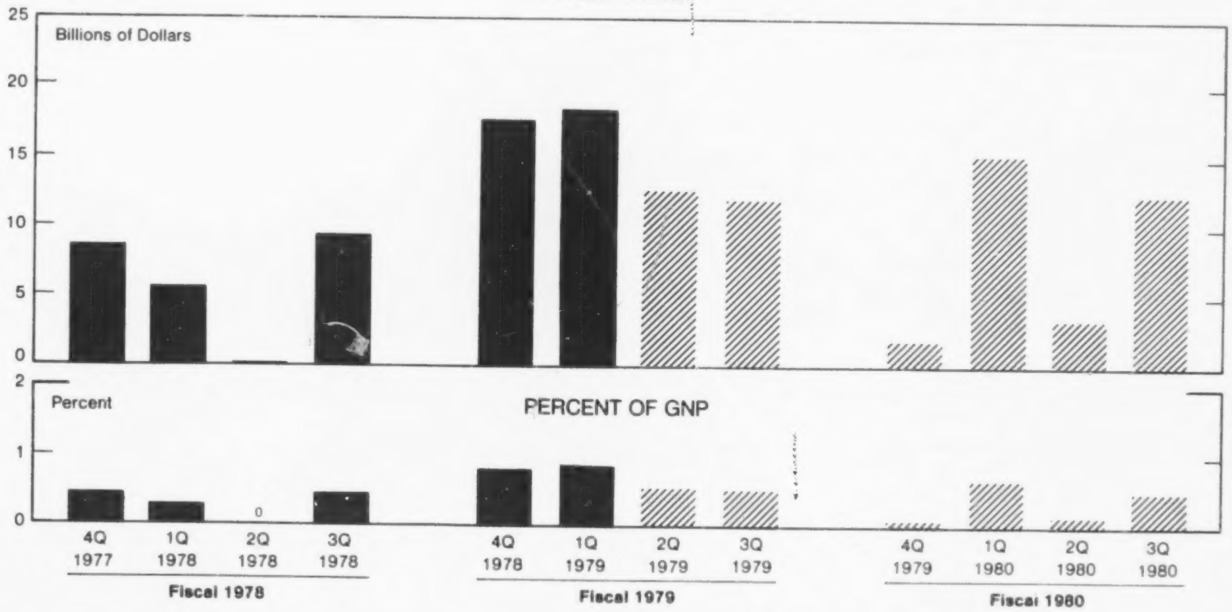
Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies weighted according to the average bilateral manufactures trade of 1976; changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1979		Fiscal 1980		
	Current Services	Actual	Current Services	President's Proposal	Second Congressional Resolution
	(1/23/78)	(10/25/79)	(1/22/79)	(7/7/79)	(11/16/79)
Receipts	**$463.8**	**$465.9**	**$504.5**	**$513.8**	**$517.8**
Outlays	**492.4**	**493.6**	**536.1**	**542.4**	**547.6**
Deficit	**—28.5**	**—27.7**	**—31.6**	**—28.7**	**—29.8**
Receipts by source	**463.8**	**465.9**	**504.5**	**513.8**	**517.8**
Individual income taxes	214.0	217.8	229.6	234.2	236.5
Corporate income taxes	68.8	65.7	71.0	71.5	74.0
Social insurance	142.5	141.6	161.2	162.6	162.9
Other receipts	38.5	40.8	42.7	45.5	44.4
Outlays by function	**492.4**	**493.6**	**536.1**	**542.4**	**547.6**
Income security	159.2	160.3	179.5	185.2	190.0
National defense	116.8	116.5	125.5	126.7	129.9
Health	50.3	49.6	55.1	54.4	54.5
Education and manpower	29.4	28.5	31.0	30.1	31.0
Veterans' benefits	18.9	19.9	20.4	20.8	20.8
Transportation	17.1	17.0	18.0	18.3	18.6
Natural resources and environment	12.0	12.3	11.8	11.5	11.9
Revenue sharing	9.5	8.2	9.2	9.0	9.1
International affairs	7.4	5.4	7.9	8.8	8.4
Community development	8.5	9.7	7.2	7.5	8.3
Energy	7.6	7.9	8.0	8.5	7.3
General science	5.1	5.6	5.4	5.7	5.7
Justice	4.1	4.1	4.3	4.4	4.4
General government	4.2	4.7	4.2	4.4	4.2
Commerce and housing credit	3.1	2.6	3.4	3.2	2.8
Agriculture	5.5	6.4	5.0	2.5	2.5
Interest	48.7	52.6	57.1	57.8	58.1
Allowances	1.1	—	2.1	2.1	— 0.2
Undistributed offsetting receipts	—16.1	—18.1	—19.0	—18.7	—19.7

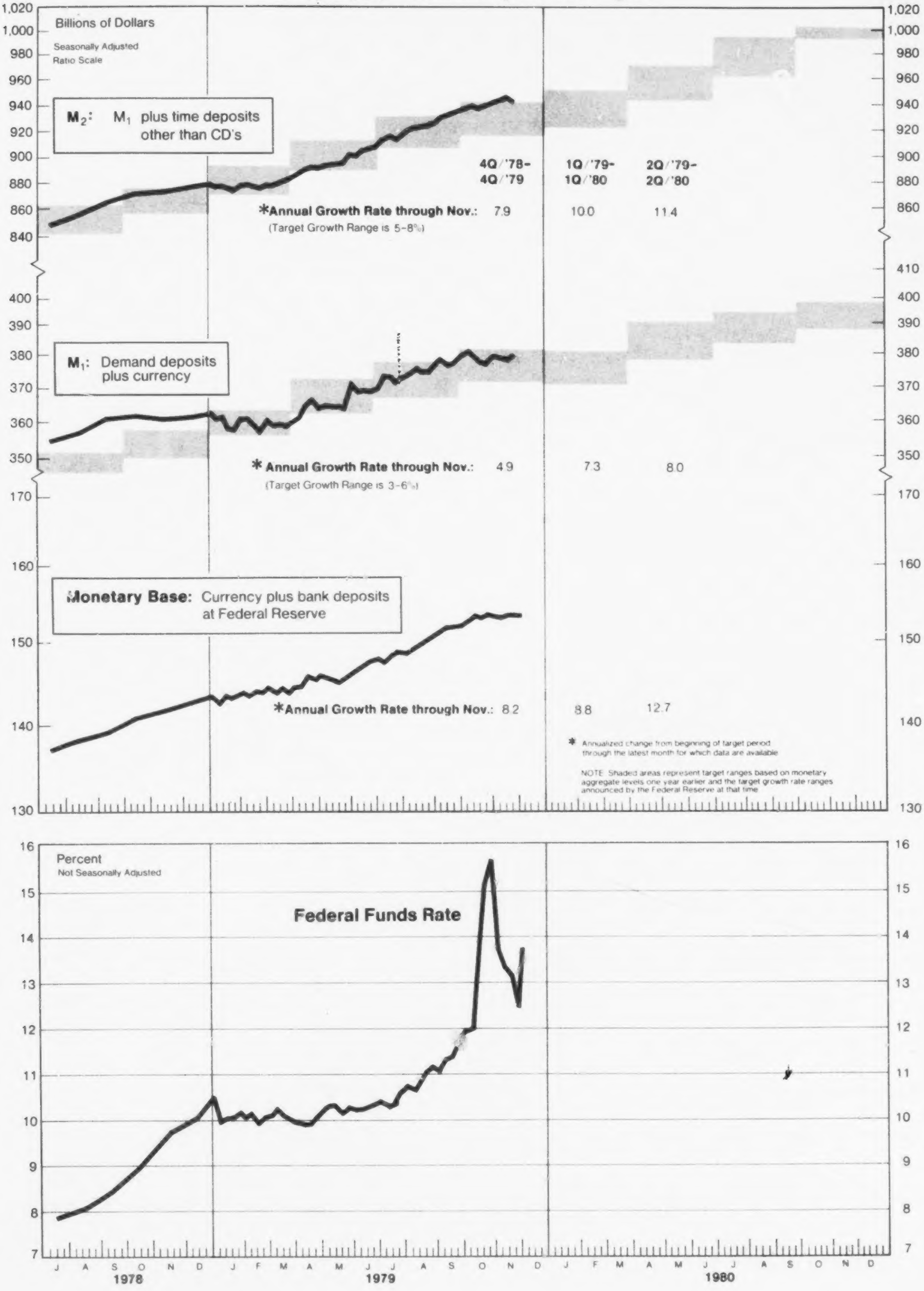
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy*, Fiscal 1977, No. 2, The Conference Board, New York, 1976.

Money Supply and Monetary Growth Targets



* Annualized change from beginning of target period through the latest month for which data are available

NOTE: Shaded areas represent target ranges based on monetary aggregate levels one year earlier and the target growth rate ranges announced by the Federal Reserve at that time

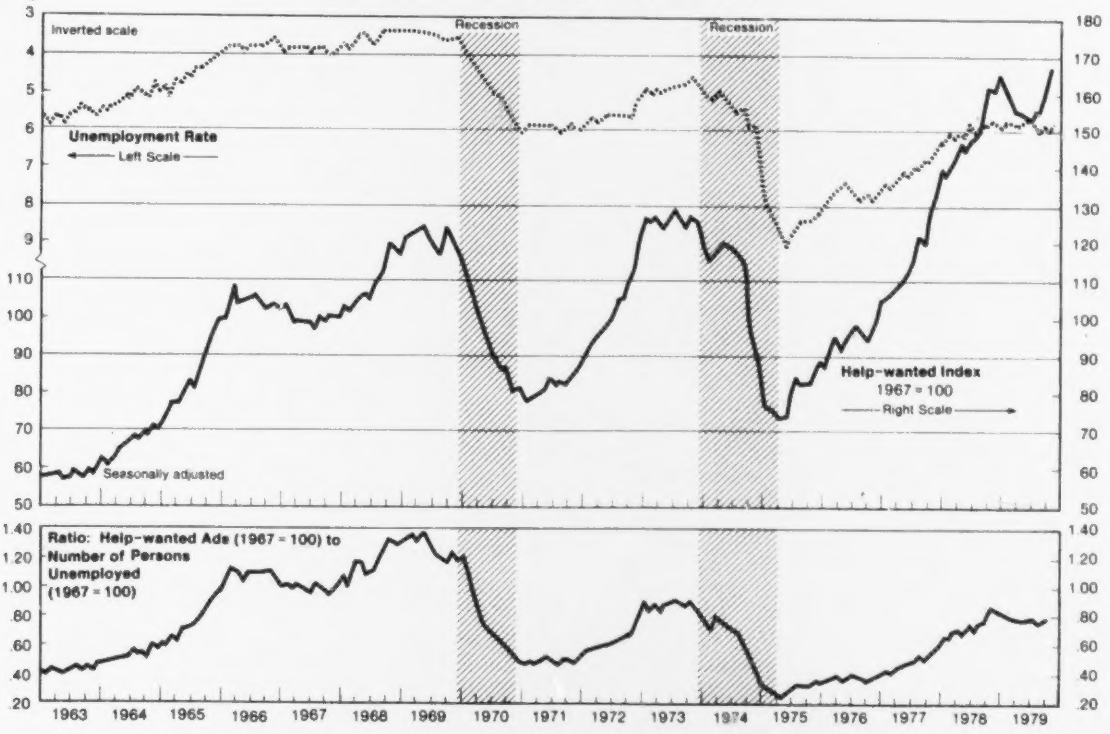
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1979	1979		1978
	Oct.	Sept.	Aug.	Oct.
Total Index 51 papers	166	159	155	161
New England	149	140	137	143
Boston	156	143	141	148
Hartford	171	178	163	156
Providence	104	94	99	117
Middle Atlantic	75	74	72	70
Albany	117	103	104	106
Allentown	177	145	158	156
New York	61	63	60	n.a.
Philadelphia	70	69	68	71
Pittsburgh	101	102	102	100
Rochester	88	75	75	76
Syracuse	95	98	90	96
East North Central	116	115	118	132
Chicago	115	111	116	124
Cincinnati	166	159	170	183
Cleveland	106	111	111	126
Columbus	155	151	154	170
Dayton	99	95	95	112
Detroit	83	81	86	110
Gary	153	161	192	189
Indianapolis	137	133	137	154
Milwaukee	122	127	119	130
Toledo	138	139	139	162
West North Central	137	130	125	137
Kansas City	159	151	150	173
Minneapolis	167	158	150	146
Omaha	n.a.	n.a.	n.a.	186
St. Louis	83	80	75	92
South Atlantic	172	161	154	158
Atlanta	265	238	219	236
Baltimore	114	113	117	109
Charlotte	150	148	136	140
Jacksonville	127	121	128	123
Miami	184	178	164	164
Richmond	103	104	104	112
Washington, D.C.	178	161	156	161
East South Central	159	158	158	169
Birmingham	176	174	168	199
Knoxville	246	227	223	247
Louisville	106	103	106	127
Memphis	131	126	129	123
Nashville	187	202	203	193
West South Central	330	309	298	316
Dallas	303	283	258	290
Houston	481	453	431	460
New Orleans	216	188	210	214
Oklahoma City	249	241	241	246
San Antonio	217	192	186	189
Tulsa	254	264	255	255
Mountain	398	368	384	380
Denver	n.a.	283	322	311
Phoenix	470	436	420	406
Salt Lake City	475	439	453	476
Pacific	248	236	222	223
Los Angeles	219	206	190	204
Sacramento	329	299	309	304
San Bernardino	193	185	176	175
San Diego	419	398	372	356
San Francisco	239	227	216	201
Seattle	275	286	264	254
Percentage of papers with rising volume	76%	53%	41%	82%
Unemployment rate	6.0%	5.8%	6.0%	5.8%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100

Monthly beginning July 1977; bimonthly before that date

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1977	90.3		85.2		89.2		88.7	89.7	87.6	86.9	90.1	99.8
1978	105.2	103.8	97.3	96.9	88.8	92.5	88.8	91.4	95.4	101.4	91.8	94.0
1979	94.0	94.1	85.8	81.5	79.5	76.8	67.1	64.9	76.8	85.1r	85.4p	

Buying Plans Index

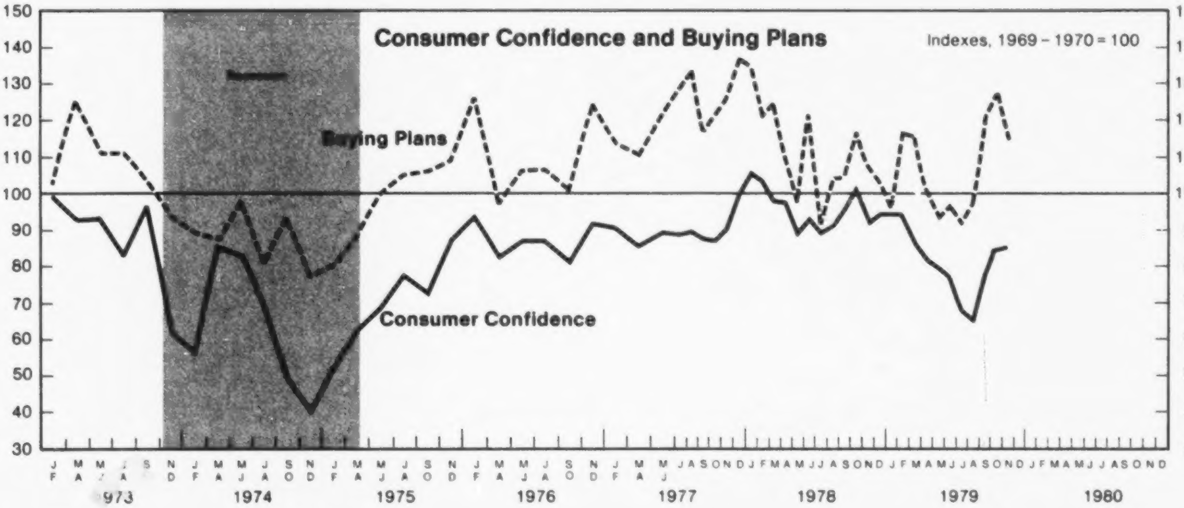
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1977	113.8		110.2		121.8		128.7	133.4	117.7	121.3	124.5	136.9
1978	134.3	120.7	124.3	109.5	97.1	121.7	91.2	104.0	104.2	116.9	106.4	103.1
1979	95.8	116.3	115.6	101.2	93.8	96.2	91.2	98.0	120.3	127.9r	114.3p	

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

r—revised



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

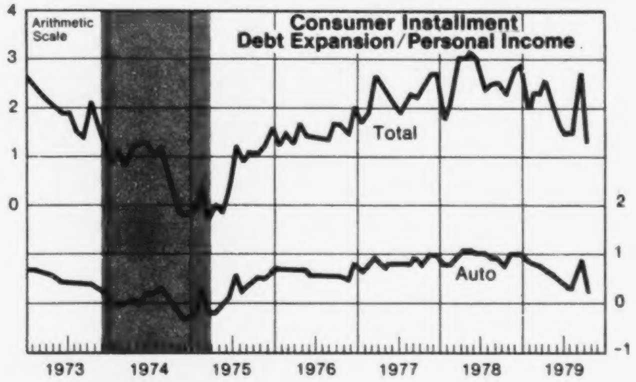
Billions of Dollars; Quarterly Data are Seasonally Adjusted at Annual Rates

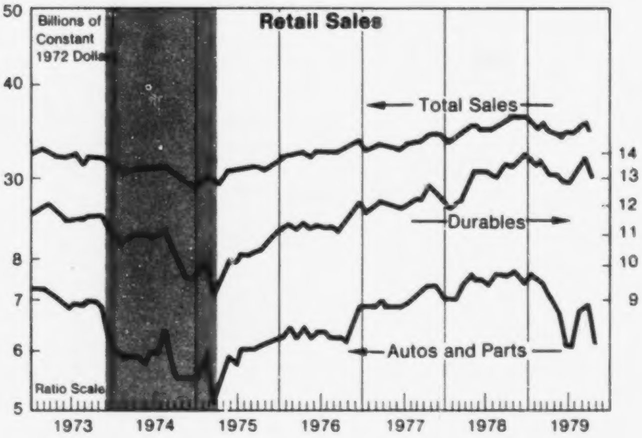
		Aggregate Purchasing Power	Discretionary Purchasing Power	Discretionary Saving	Discretionary Spending	Discretionary Purchasing Power as % of Aggregate	Discretionary Spending as % of Aggregate	Discretionary Spending as % of Discretionary Purchasing Power
1975	I	$1075.2	$399.5	$ 67.5	$332.0	37.2%	30.9%	83.1%
	II	1155.6	469.7	125.2	344.5	40.6	29.8	73.3
	III	1160.5	453.4	125.8	327.6	39.1	28.2	72.3
	IV	1220.9	485.4	118.8	366.6	39.8	30.0	75.5
1976	I	1258.3	499.9	[illegible]	366.4	39.7	29.1	73.3
	II	1288.1	507.0	120.[illegible]	386.7	39.4	30.0	76.3
	III	1308.4	514.5	125.5	389.0	39.3	29.7	75.6
	IV	1343.4	533.7	118.2	415.5	39.7	30.9	77.9
1977	I	1394.3	560.4	139.4	421.0	40.2	30.2	75.1
	IIr	1432.2	583.3	143.2	440.1	40.7	30.7	75.4
	IIIr	1520.5	602.0	171.0	431.0	39.6	28.3	71.6
	IVr	1526.1	624.9	146.1	478.8	40.9	31.4	76.6
1978	Ir	1559.9	648.3	141.4	506.9	41.6	32.5	78.2
	IIr	1633.1	680.8	176.8	504.0	41.7	30.9	74.0
	IIIr	1672.4	693.1	184.2	508.9	41.4	30.4	73.4
	IVr	1701.4	690.9	150.3	540.6	40.6	31.8	78.2
1979	Ip	1746.1	712.2	149.5	562.7	40.8	32.2	79.0

Note: For an explanation of discretionary purchasing power and spending, see Morton Ehrlich, *Discretionary Spending*, (The Conference Board, 1966).

P—Preliminary

R—Revised





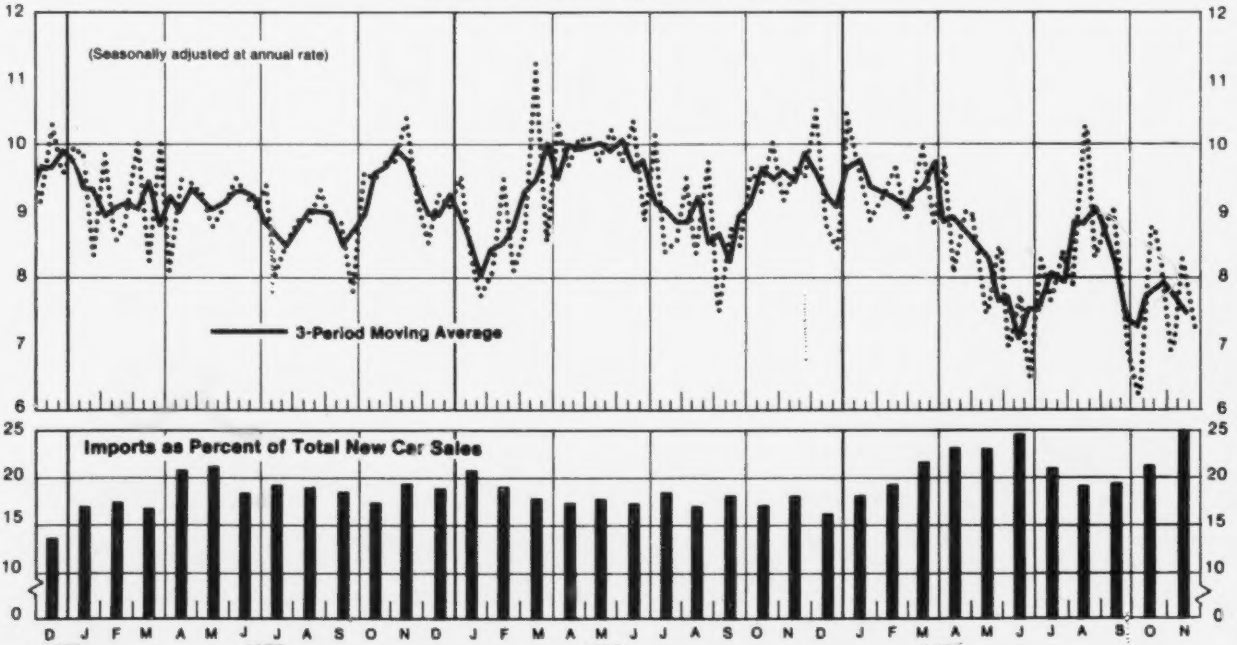
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1976	1977	1978	1979
January:	1-10	8.27	9.95	9.54	10.32
	11-20	8.54	9.81	8.28	9.85
	21-31	9.00	8.36	7.73	8.91
February:	1-10	8.31	9.87	8.03	9.38
	11-20	9.25	8.53	9.52	9.64
	21-28(29)	8.83	8.80	8.07	8.65
March:	1-10	8.45	10.04	8.65	9.12
	11-20	8.28	8.25	11.20	9.96
	21-31	9.39	10.01	8.59	8.73
April:	1-10	8.55	8.12	10.26	9.69
	11-20	9.21	9.47	9.67	8.09
	21-30	8.71	9.42	10.09	9.02
May:	1-10	8.64	9.25	10.10	8.97
	11-20	9.27	8.77	9.77	7.44
	21-31	7.88	9.04	10.22	8.42
June:	1-10	8.64	9.57	9.75	6.99
	11-20	8.16	9.27	10.33	7.67
	21-30	9.14	9.06	8.83	6.55
July:	1-10	8.16	9.38	10.18	8.28
	11-20	8.77	8.02	8.40	7.61
	21-31	8.16	8.58	8.56	8.38
August:	1-10	8.92	8.89	9.49	7.84
	11-20	7.57	8.84	8.38	10.25
	21-31	7.56	9.32	9.76	8.30
September:	1-10	7.99	8.84	7.50	8.67
	11-20	8.21	8.81	8.75	9.01
	21-30	8.39	7.80	8.47	6.82
October:	1-10	8.33	9.56	9.68	6.32
	11-20	8.18	9.51	9.28	8.75
	21-31	7.79	9.73	10.05	8.18
November:	1-10	8.53	9.73	9.17	6.84
	11-20	8.86	10.42	9.61	8.22
	21-30	9.68	9.19	9.53	7.26
December:	1-10	9.11	8.52	10.56	
	11-20	10.29	9.23	8.72	
	21-31	9.56	9.06	8.40	

Note: Dealer sales exclude exports and imported foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.

Millions of Domestic-Model Cars



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STATISTICAL BULLETIN

Volume 13 No. 1, January, 1980

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THE CONFERENCE BOARD

comment Exactly one year ago, we said here that the economic pulse readings were surprisingly healthy for a patient many suspected was about to undergo a bout of recession. Now in retrospect, one can say that the patient's description was correct, but the prognosis proved premature. But while economic activity in 1979 cannot be labeled recessionary, it was hardly robust. Now, twelve months later, the patient's condition is considerably weaker—too weak, in fact, to expect it to continue to fight off the pressures of recession. The weakness in consumer markets, that was a major concern at this time last year, remains troublesome. On the other hand, this time last year there was considerable strength in capital markets. That strength, however, has been eroded by the slowdown in retail sales as well as by sharply higher borrowing costs. After all is said and done, it turns out that the economic outlook in early 1980 is remarkably similar to that of early 1979.

Only a few months ago, there were some quite vigorous signs of life in the economy. For example, retail sales, adjusted for inflation, had risen in both August and September—and the gains were much larger for the cyclically sensitive durable goods than for the nondurables. By November, however, total retail sales had fallen off by 1.7%, and sales of durable items had declined by 5.8 percent. That the spurt in consumer buying was so short-lived is not at all surprising. It was financed in large part by stepped-up borrowing. Consumers, however, were already heavily in debt. That fact, together with the hike in interest rates in October, led to a slowing in the flow of credit which dampened the spurt in consumer buying.

The inventory buildup that took place in the first half of 1979 was arrested by the spurt in sales in August and September. But once sales started to fall off again, there was a tendency for inventories to begin accumulating. Earlier in the year, it was possible to finance an inventory accumulation with an interest rate that was exceeded by the rate of inflation. That was one factor in business reluctance to alter production schedules; consequently, industrial production continued to expand moderately. Layoffs, with the exception of the automotive industry, were few. By October, however, the interest rates had been raised to a level higher than the rate of inflation, which made inventory financing more costly than it had been earlier. Avoiding production cutbacks had then become more difficult. And, by November, it seemed apparent that industrial production, as well as capacity utilization, was on a downward trend.

One puzzling part of the economic picture has cleared up a bit of late. While the pace of economic activity slowed in the first half of 1979, help-wanted advertising volume declined but the unemployment rate remained at or just under the 6% level. Then, while activity was picking up in pace, The Conference Board's *Help-wanted Index* regained all of that earlier drop. And the strength of labor market activity, whether the hiring had been in response to actual or anticipated needs, clearly helped to bolster consumer attitudes, as indicated by the gains registered in The Conference Board's measure of *Consumer Confidence*. Consumers, feeling a little less uneasy about the economy (especially about the prospect of being laid off) then stepped up their spending—on credit.

With sales once again falling off, and industrial production inching downward, efforts to find additional workers could be expected to slacken. And, indeed, job advertising declined sharply in November. It would thus seem likely that consumer attitudes reflect a little more unease about the economy in general (and prospects of being laid off in particular) than they had in late Summer and early Fall. The *Consumer Confidence Index* remained level in November and then declined in December. Its companion series, the *Buying Plans Index*, which generally exhibits a more volatile behavior, decreased sharply in both months.

The composite index of *Leading Economic Indicators* was 4.3% lower this November than last, and, in fact, has declined by 2.2% in just the latest three months. This series, which generally foreshadows broad movements in the economy, is clearly indicating that not only has the economy weakened in the last few months but that it will weaken further before any major new strength develops. The *Economic Forecasts* indicate that real GNP probably declined at a seasonally adjusted 0.6% annual rate (median of the forecasts) in the fourth quarter of 1979. (That view is a little bit more pessimistic than the so-called "flash" report

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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845 Third Avenue
New York, New York 10022

THE CONFERENCE BOARD IN EUROPE
Avenue Louise, 326-Bte 48
B-1050 Brussels, Belgium

made public by the Department of Commerce in early January). In any event, whether the economy actually contracted in that quarter or was just very sluggish, the *Economic Forecasts* all indicate the first two, and possibly even three, quarters of 1980 will see recessionary conditions prevailing. The median forecast is that real output will decline at a substantial 3.7% rate in the first quarter of 1980 and then decrease by 1.7% in the second quarter.

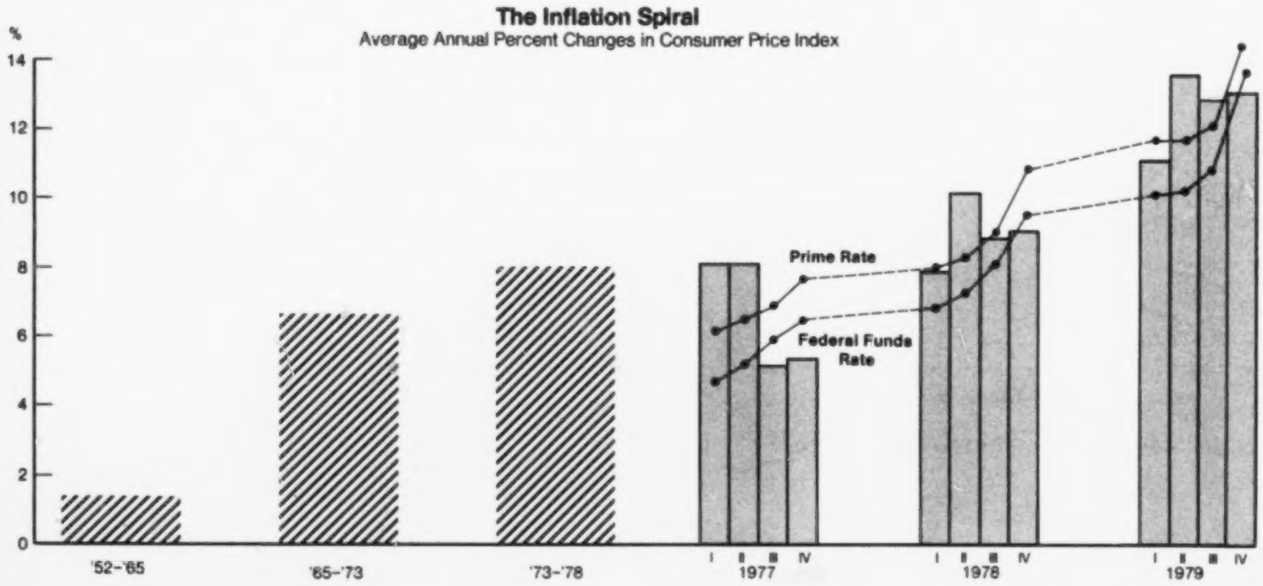
Some of the forecasts, including that from The Conference Board, anticipate that the recession will continue into the third quarter of 1980. These forecasts generally indicate a return of growth in economic activity in the fourth quarter, albeit at a quite sluggish pace, and that the new expansionary period, will not begin until about this time next year. Other, more optimistic, forecasts suggest the period of sluggish growth will begin in the third quarter of 1980 and economic activity will resume expansion in the fourth quarter.

Prospects for the course of the inflationary spiral appear to be the most troublesome part of the economic prognosis. The rate of inflation, as measured by the implicit price deflator for GNP, had improved to 8.2% in the third quarter of 1979—from a 9.2% rate in the second quarter. The *Economic Foreasts* indicate inflation again hit 9.6% in the fourth quarter of 1979. The expectation is that it will slow to no more than 7½% by mid-1981 before taking off again on a new round of inflation.

In an effort to contain the inflationary spiral, the Federal Reserve moved this past October to a new policy of putting its short-term attention more on the money supply and less on interest rates. The effect of this change had been expected to be a steadier course in the expansion of money while interest rates would be more volatile than in the past. The immediate goal was stated to be the constraining of growth in money and credit.

It seems clear that credit expansion, to both consumers and business, has indeed dampened. Money supply expansion has also slowed a little, though it continues to exceed the longer term target ranges. Data on the *Money Supply and Monetary Growth Targets* chart show that the Federal Funds rate—the rate at which banks borrow excess reserves from each other—is behaving quite a bit more volatilely than previously. Hence, one could conclude that the new policy is having the market effects advertised for it. Whether it will in the end have the planned anti-inflationary effect depends on many factors, including the continuing policy judgments of the Federal Reserve. At the moment, with recession imminent—if not already begun—many observers think the Fed may be in the position of "too late to tighten, too early to ease." But whatever policy stance is followed—in the monetary area, in the budget, or on the wage-price guidelines—the news about prices is going to remain very bad for at least the next several months. That much is guaranteed by the already-determined course of energy prices. In this short-run context, policy is irrelevant. Over the long-term, of course, it is most crucial in terms of limiting price increase, maintaining the value of the currency, and sustaining an adequate pace of economic expansion.

Ken Goldstein



The Inflation Spiral

Average Annual Percent Changes in Consumer Price Index

STATUS OF LEADING ECONOMIC INDICATORS

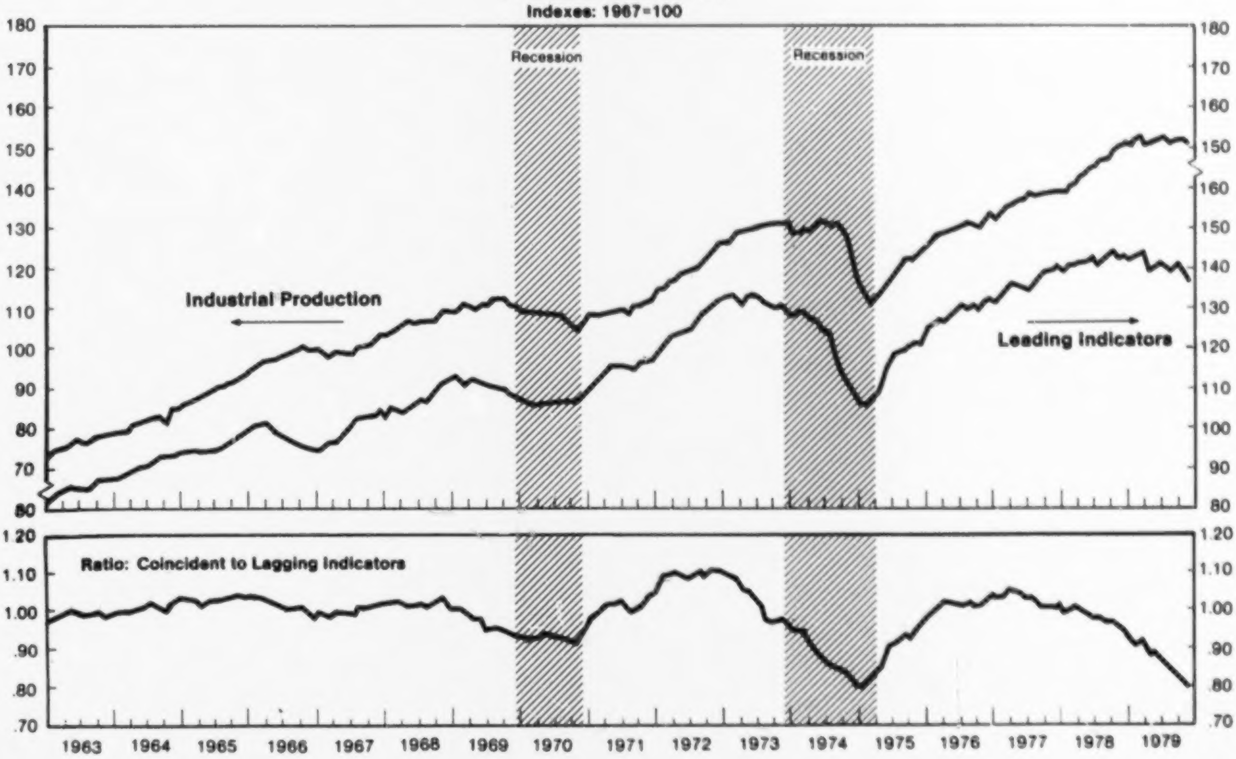
		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Nov.			X	– 2.2%	– 4.3%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Nov.		X		+ 6.8%	– 4.3%
New orders, nondefense capital goods (deflated)	Nov.		X		+ 3.1%	– 3.8%
*Net business formation	Sept.	X			+ 1.6%	+ 0.1%
*Housing permits	Nov.			X	–23.4%	–31.2%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Nov.			X	– 4.1%	–10.3%
*Change in inventory, on hand & order (deflated)	Oct.			X	–11.6%	–11.3%
Purchasing agents' buying policy	Nov.		X		– 2 %	–10 %
*Vendor performance, reported slower deliveries	Nov.			X	–14.5%	–28.8%
Industrial raw materials prices	Dec.	X			+ 3.9%	+ 22.7%
*Change in sensitive prices	Nov.	X			+ 0.8%	+ 1.3%
Sensitive Financial Flows						
*Money balance (M2, deflated)	Nov.			X	– 0.8%	– 4.1%
Change in business loans	Dec.			X	–57.8%	– 7.2%
*Change in liquid assets	Nov.		X		0.0%	– 0.1%
Change in consumer installment debt	Oct.		X		– 3.9%	–14.3%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			+ 3.8%	+ 9.0%
*Common stock prices	Dec.		X		– 3.6%	+ 8.9%
Marginal Employment Adjustments						
*Average workweek, mfg.	Nov.		X		– 0.1%	– 0.7%
Initial unemployment claims (inverted)	Nov.			X	– 6.1%	–25.4%
*Layoff rate, mfg. (inverted)	Nov.		X		– 0.2%	+ 0.4%

Note: For historical data of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Business Conditions Digest*, (Washington, D.C.: Government Printing Office, July, 1978, p. 100. For a description of the index, see November, 1975, page V)

*These twelve series make up the composite leading index charted below.

Economic Indicators

Indexes: 1967=100



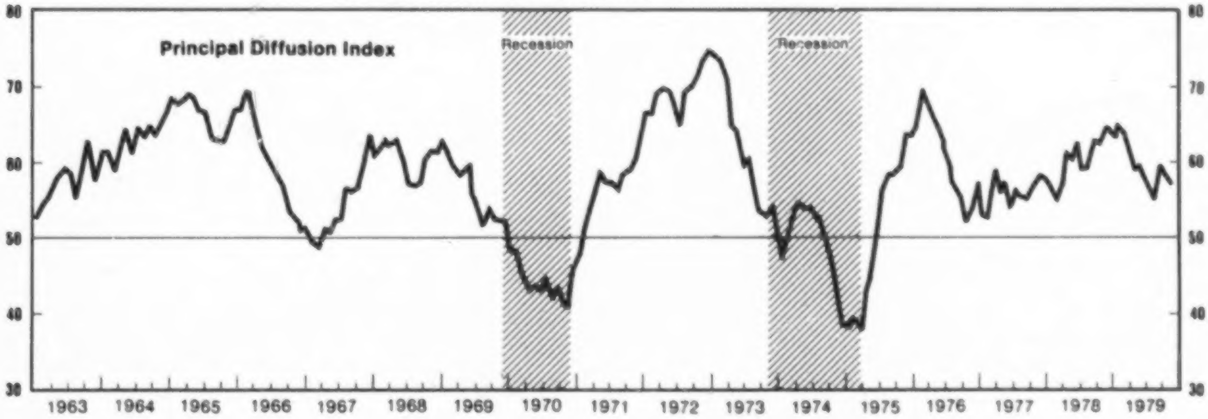
CONFERENCE BOARD DIFFUSION INDEXES

	1978	1979			
DIFFUSION INDEXES	Nov.	Aug.	Sept.	Oct.	Nov.(e)
Principal Diffusion Index	68.9	55.6	59.6	58.4r	55.2
Auxiliary Diffusion Index	53.6	45.5	62.7	46.4r	39.6
Industrial Group	68.5	46.7	50.6	50.8	47.5
Nonindustrial Group	69.4	64.6	68.5	66.0r	62.9
Sense of Diffusion	1.0	0.0	1.0	1.0	0.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	82.3	58.5	58.8r	59.4r	60.3
Labor	64.2	36.2	44.5r	48.1r	44.0
Miscellaneous	58.3	55.1	53.8	44.9	37.2
Nonindustrial Subgroups					
Prices	68.6	71.8	76.3	73.1	62.2
Consumer	86.3	73.9	77.4	70.5	69.2
Building	68.6	44.9	52.6	52.6	44.9
Miscellaneous	53.6	63.7	65.0	65.8r	69.2

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1977			1978				1979			
	May	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*
	Score (scale 0-100)										
Measure of Business Confidence	71	59	52	52	58	49	40	43	41	32	32
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	74	62	48	46	60	58	45	47	47	28	29
2. Expectations for Economy, Six Months Ahead	70	58	49	49	54	42	33	36	33	29	29
3. Expectations for Own Industry, Six Months Ahead	69	60	58	59	60	49	43	46	43	38	38

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

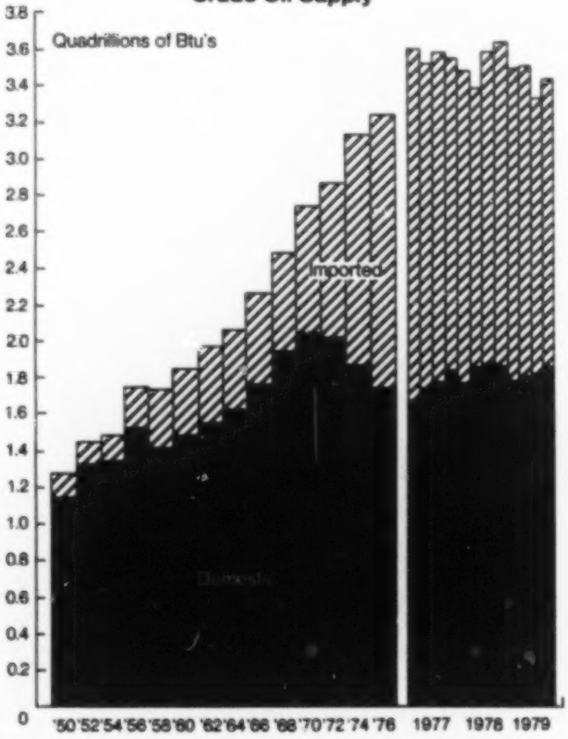
Billions of Dollars, Seasonally Adjusted

	1978			1979				1980			
							PROJECTIONS				
	IIr	IIIr	IVr	Ir	IIr	IIIp	IV	I	II	III	IV
1000 LARGEST MANUFACTURING FIRMS											
Newly approved	15.118	16.174	18.749	22.585	21.033	22.520	18.6	17.8	18.3	18.5	18.6
Capital expenditures	14.367	14.566	15.827	16.648	18.027	18.553	16.7	16.9	17.5	17.7	17.8
Change in appropriations backlog	+0.246	+0.859	+2.593	+5.252	+1.468	+3.579	+0.5	—0.3	—0.4	—0.4	—0.5
Durable Goods											
Newly approved	7.456	8.443	9.869	11.114	10.672	9.992	8.6	8.7	8.4	7.7	7.4
Capital expenditures	6.503	6.689	7.165	7.793	8.379	8.982	8.1	8.3	8.3	8.2	7.8
Change in appropriations backlog	+0.730	+1.495	+2.676	+3.149	+1.970	+0.908					
Nondurable Goods											
Newly approved	7.662	7.731	8.880	11.471	10.361	12.528	10.0	9.1	10.0	10.8	11.3
Capital expenditures	7.864	7.877	8.662	8.855	9.648	9.571	8.6	8.6	9.2	9.6	10.0
Change in appropriations backlog	—0.484	—0.636	—0.083	+2.103	—0.502	+2.671					
ELECTRIC & GAS UTILITIES											
Appropriations	5.765	8.719	10.281	7.077	5.773	12.635					
Capital expenditures	6.283	6.514	7.025	7.173	7.120	7.237					
Change in appropriations backlog	—1.242	—3.165	+2.471	—3.601	—3.944	+4.762					

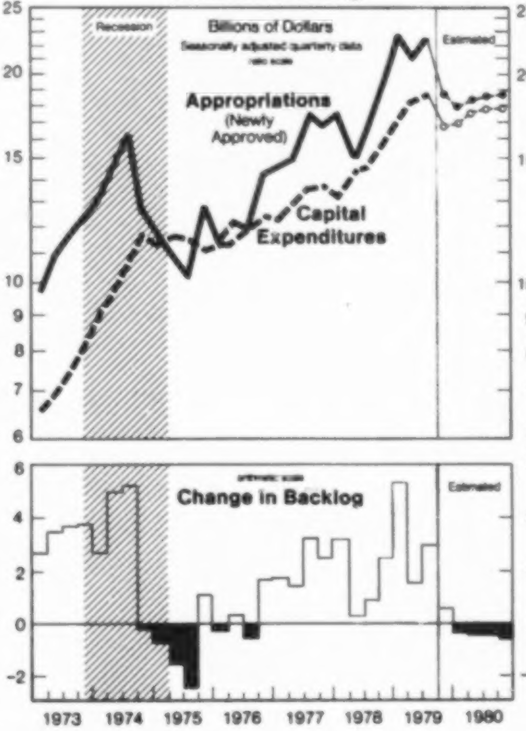
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request. Projections are based on The Conference Board's capital appropriations forecasting model.

r—revised p—preliminary

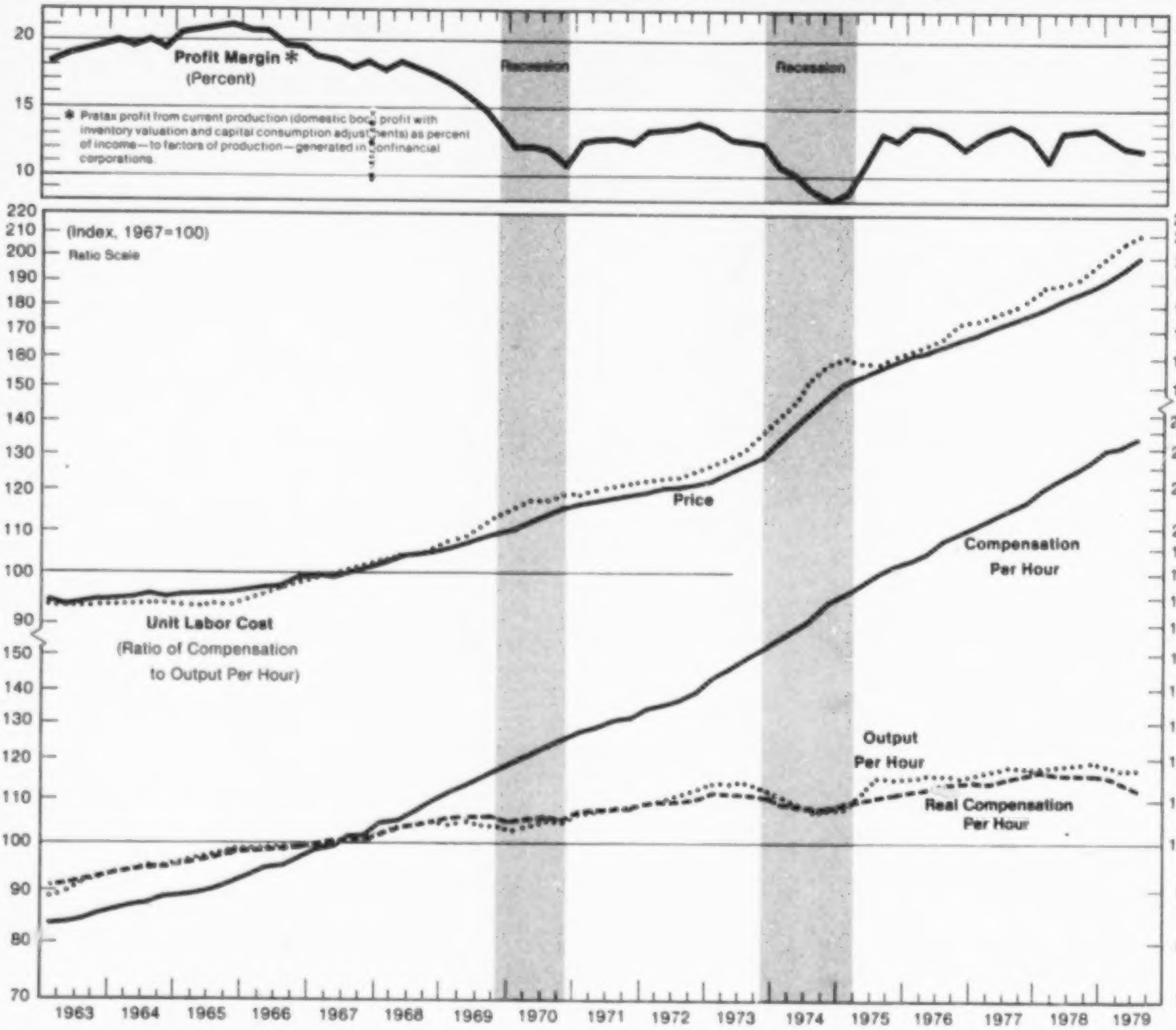
Crude Oil Supply



All Manufacturing

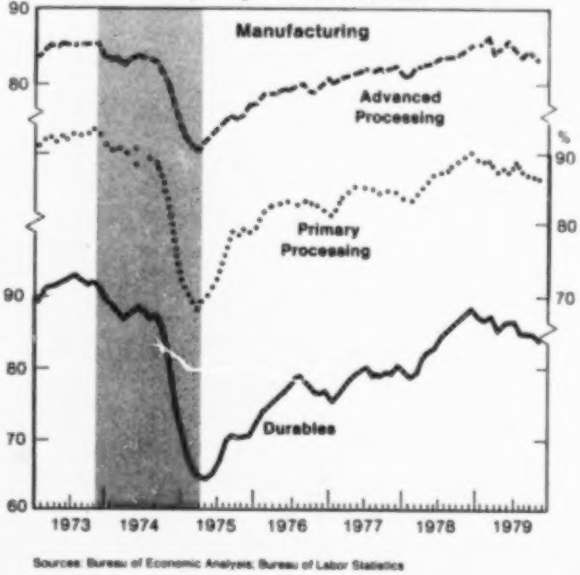


Key Determinants of Profit Margin–Nonfinancial Corporations

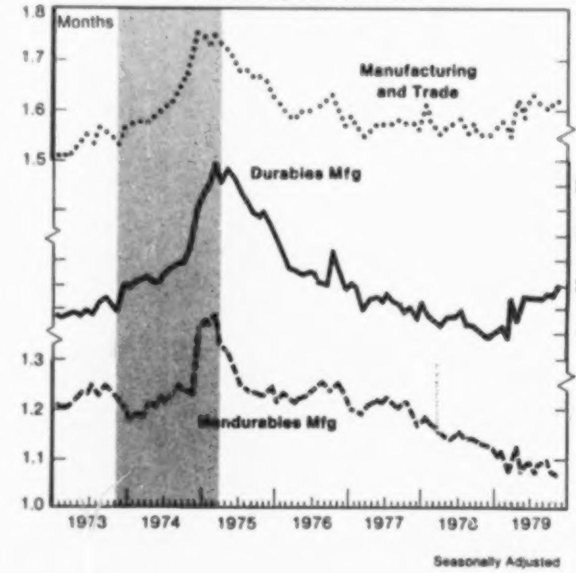


* Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income—to factors of production—generated in nonfinancial corporations.

Capacity Utilization Rates



Inventory-Sales Ratios



Sources: Bureau of Economic Analysis; Bureau of Labor Statistics

Seasonally Adjusted

ECONOMIC FORECASTS

			ASA-NBER Survey of Regular Forecasters[1]		Merrill Lynch Economics Inc.[2]		Kent Economic Institute[3]		Michigan Research Seminar in Quantitative Economics[1]	
Date of Forecast			Nov., 1979		Dec., 1979		Dec., 1979		Nov., 1979	
			Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change
Gross National Product Current Dollars										
Actual	**1979**	**III**			**$2396.5**	**12.0%**	**$2396.5**	**12.0%**		
Forecast	1979	IV	$2434.0	**7.3%**	2455.5	**10.2**	2418.9	**3.8**	$2450.7	**10.3%**
	1980	I	2464.0	**5.0**	2470.4	**2.4**	2455.0	**6.1**	2500.0	**8.3**
		II	2497.0	**5.5**	2493.8	**3.8**	2522.8	**11.5**	2543.0	**7.1**
		III	2550.0	**8.8**	2533.4	**6.5**	2607.5	**14.1**	2589.9	**7.6**
		IV	2616.0	**10.8**	2596.2	**10.3**	2678.6	**11.4**	2649.4	**9.5**
	1981	I			2674.6	**12.6**	2724.9	**7.1**	2706.8	**8.9**
		II			2747.5	**11.4**	2798.2	**11.2**	2771.1	**9.9**
		III			2833.7	**13.2**	2903.2	**15.9**		
	1979	Annual	2361.8	**11.0**	2368.5	**11.3**	2359.3	**10.9**	2366.0	**11.2**
	1980	Annual	2531.7	**7.2**	2523.4	**6.5**	2566.0	**8.8**	2570.6	**8.6**
Gross National Product Constant (1972) Dollars										
Actual	**1979**	**III**			**$1433.3**	**3.1%**	**$1433.3**	**3.1%**		
Forecast	1979	IV	$1425.0	**—1.6%**	1433.4	**0.0**	1421.2	**—3.3**	$1431.4	**0.2%**
	1980	I	1410.3	**—4.1**	1412.0	**—5.8**	1415.8	**—1.5**	1428.1	**—0.9**
		II	1400.4	**—2.8**	1397.3	**—4.1**	1418.9	**0.9**	1424.1	**—1.1**
		III	1406.5	**1.8**	1391.7	**—1.6**	1432.7	**3.9**	1422.8	**—0.3**
		IV	1417.3	**3.1**	1399.4	**2.2**	1443.2	**3.0**	1425.8	**0.8**
	1981	I			1415.4	**4.7**	1450.2	**2.0**	1428.9	**0.9**
		II			1428.1	**3.6**	1463.5	**3.7**	1434.9	**1.7**
		III			1446.5	**5.3**	1473.7	**2.8**		
	1979	Annual	1427.2	**2.0**	1429.9	**2.2**	1426.8	**2.0**	1427.9	**2.0**
	1980	Annual	1408.6	**—1.3**	1400.1	**—2.1**	1427.6	**0.1**	1425.2	**—0.2**
Gross National Product Deflator Index, 1972 = 100										
Actual	**1979**	**III**			**167.2**	**8.6%**	**167.2**	**8.6%**		
Forecast	1979	IV	171.0	**9.7%**	171.3	**10.2**	170.2	**7.4**	171.2	**10.1%**
	1980	I	174.4	**8.2**	175.0	**8.8**	173.4	**7.7**	175.1	**9.3**
		II	178.0	**8.5**	178.5	**8.3**	177.8	**10.5**	178.6	**8.3**
		III	181.6	**8.3**	182.0	**8.2**	182.0	**9.8**	182.0	**8.0**
		IV	185.0	**7.7**	185.5	**7.9**	185.6	**8.2**	185.8	**8.6**
	1981	I			189.0	**7.6**	187.9	**5.0**	189.4	**8.0**
		II			192.4	**7.4**	191.2	**7.2**	193.1	**8.0**
		III			195.9	**7.5**	197.0	**12.7**		
	1979	Annual	165.5	**8.9**	165.6	**9.0**	165.4	**8.8**	165.6	**9.0**
	1980	Annual	179.7	**8.6**	180.2	**8.8**	179.7	**8.7**	180.4	**8.9**
Unemployment Rate										
Actual	**1979**	**III**			5.8%		5.8%			
Forecast	1979	IV	6.2%		5.9		6.1		6.1%	
	1980	I	6.8		6.8		7.1		6.4	
		II	7.4		7.7		6.9		6.9	
		III	7.4		8.2		6.6		7.3	
		IV	7.5		8.5		6.7		7.6	
	1981	I			8.6		6.3		7.9	
		II			8.6		6.5		8.1	
		III			8.4		6.4			
	1979	Annual	5.8		5.8		5.8		5.8	
	1980	Annual	7.3		7.8		6.8		7.1	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary third quarter data.

[2] Based on revused (second revision) third quarter data.

[3] Based on revised (first revision) third quarter data.

ECONOMIC FORECASTS (continued)

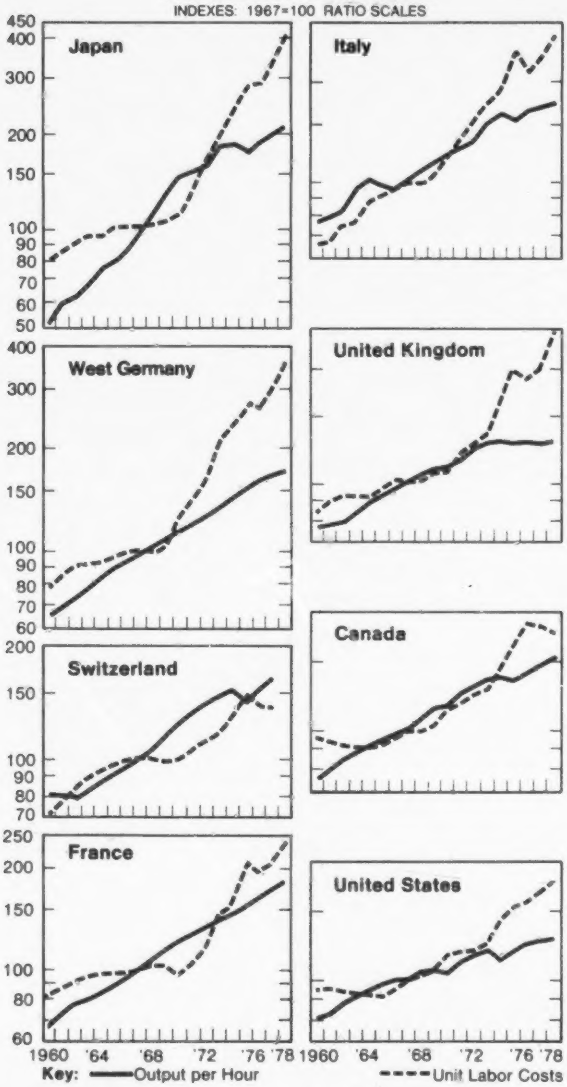
The Conference Board[3]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Nov., 1979		Dec., 1979		Dec., 1979		Dec., 1979				
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Current Dollars		
		$2396.5	**12.0%**	**$2396.5**	**12.0%**	**$2396.5**	**12.0%**	**III**	**1979**	**Actual**
$2446.0	**8.7%**	2445.7	**8.5**	2456.1	**10.3**	2464.9	**11.9**	IV	1979	Forecast
2465.0	**3.1**	2445.1	**—0.1**	2489.0	**5.5**	2505.5	**6.6**	I	1980	
2493.0	**4.6**	2480.5	**5.9**	2524.3	**5.8**	2548.5	**7.0**	II		
2529.0	**5.9**	2528.4	**8.0**	2577.7	**8.7**	2601.1	**8.5**	III		
2601.0	**11.9**	2603.1	**12.4**	2645.7	**11.0**	2674.9	**11.6**	IV		
		2667.9	**10.3**	2726.7	**12.8**	2751.9	**12.0**	I	1981	
		2744.6	**12.0**	2817.6	**14.0**	2829.0	**11.7**	II		
		2818.0	**11.1**	2915.2	**14.6**	2899.8	**10.4**	III		
2365.8	**11.2**	2366.0	**11.2**	2368.6	**11.3**	2370.8	**11.4**	Annual	1979	
2522.0	**6.6**	2514.3	**6.3**	2559.2	**8.0**	2582.5	**8.9**	Annual	1980	
								Gross National Product Constant (1972) Dollars		
		$1433.3	**3.1%**	**$1433.3**	**3.1%**	**$1433.3**	**3.1%**	**III**	**1979**	**Actual**
$1434.4	**0.0%**	1430.3	**—0.8**	1431.2	**—0.6**	1435.1	**0.5**	IV	1979	Forecast
1417.6	**—4.6**	1405.4	**—6.8**	1417.8	**—3.7**	1424.1	**—3.0**	I	1980	
1406.9	**—3.0**	1398.5	**—1.9**	1406.0	**—3.3**	1417.1	**—2.0**	II		
1403.3	**—1.0**	1398.5	**0.0**	1404.2	**—0.5**	1419.1	**0.6**	III		
1418.1	**4.3**	1410.6	**3.5**	1408.6	**1.3**	1428.9	**2.8**	IV		
		1422.5	**3.4**	1420.5	**3.4**	1438.6	**2.7**	I	1981	
		1432.9	**3.0**	1436.5	**4.6**	1450.9	**3.5**	II		
		1443.0	**2.8**	1454.8	**5.2**	1463.6	**3.5**	III		
1430.4	**2.2**	1429.1	**2.1**	1429.3	**2.2**	1430.3	**2.2**	Annual	1979	
1411.5	**—1.3**	1403.2	**—1.8**	1409.1	**—1.4**	1422.3	**—0.6**	Annual	1980	
								Gross National Product Deflator Index, 1972 = 100		
		167.2	**8.6%**	**167.2**	**8.6%**	**167.2**	**8.6%**	**III**	**1979**	**Actual**
170.5	**8.7%**	171.0	**9.4**	171.6	**11.0**	171.8	**11.4**	IV	1979	Forecast
173.9	**8.1**	174.0	**7.2**	175.6	**9.5**	175.9	**10.1**	I	1980	
177.2	**7.6**	177.4	**8.0**	179.5	**9.4**	179.8	**9.2**	II		
180.2	**7.0**	180.8	**8.0**	183.6	**9.3**	183.3	**7.9**	III		
183.4	**7.3**	184.5	**8.5**	187.8	**9.6**	187.2	**8.8**	IV		
		187.6	**6.7**	192.0	**9.1**	191.3	**9.0**	I	1981	
		191.5	**8.6**	196.1	**9.0**	195.0	**7.9**	II		
		195.3	**8.1**	200.4	**8.9**	198.1	**6.6**	III		
165.4	**8.8**	165.6	**8.9**	165.7	**9.0**	165.7	**9.0**	Annual	1979	
178.7	**8.0**	179.2	**8.2**	181.6	**9.6**	181.6	**9.5**	Annual	1980	
								Unemployment Rate		
		5.8%		5.8%		5.8%		**III**	**1979**	**Actual**
6.2		6.0		6.0		5.9		IV	1979	Forecast
6.9		6.8		6.5		6.5		I	1980	
7.6		7.8		7.0		7.0		II		
8.1		8.1		7.4		7.4		III		
8.0		8.2		7.7		7.6		IV		
		8.3		7.9		7.7		I	1981	
		8.3		7.9		7.8		II		
		8.2		7.8		7.8		III		
5.8		5.8		5.8		5.8		Annual	1979	
7.6		7.7		7.1		7.1		Annual	1980	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900.

Selected International Comparisons

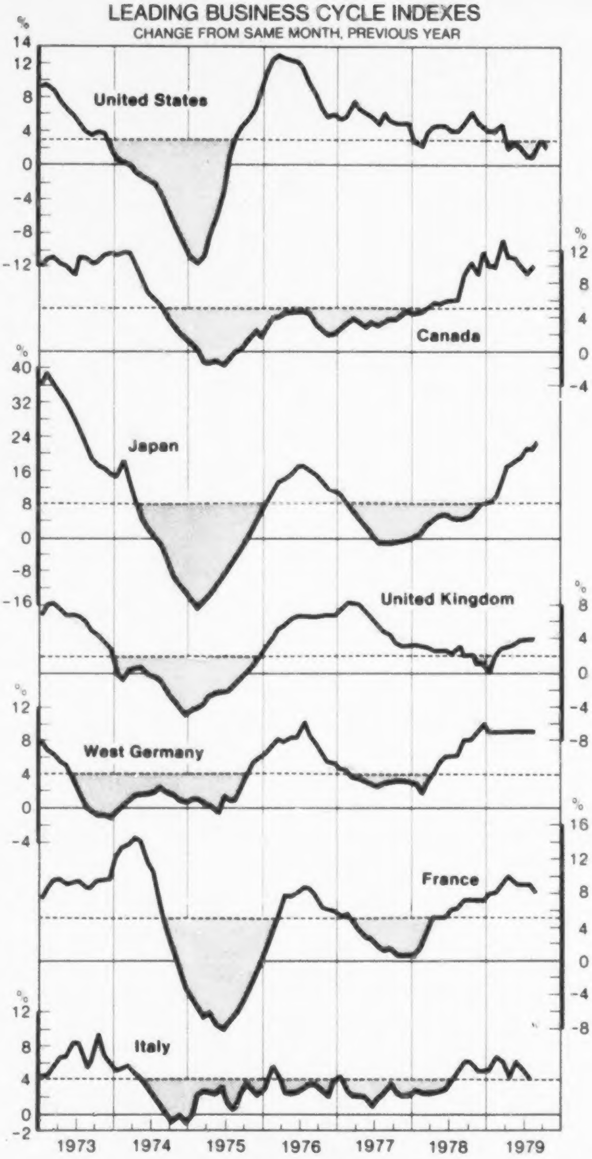
PRODUCTIVITY AND COSTS

INDEXES: 1967=100 RATIO SCALES

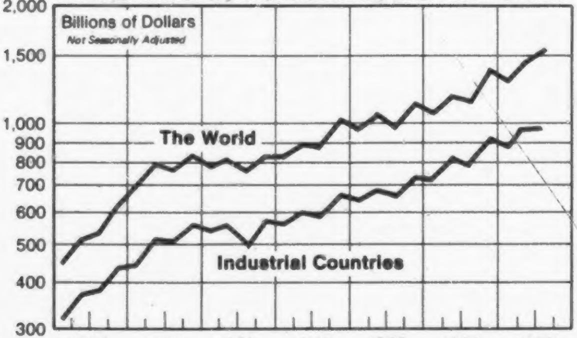


LEADING BUSINESS CYCLE INDEXES

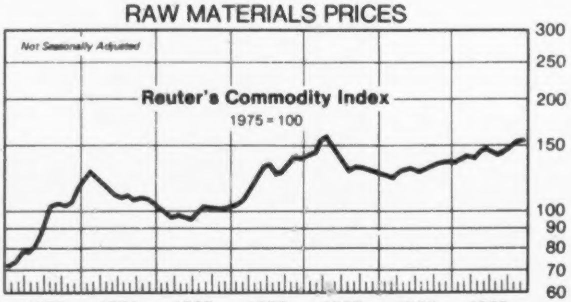
CHANGE FROM SAME MONTH, PREVIOUS YEAR



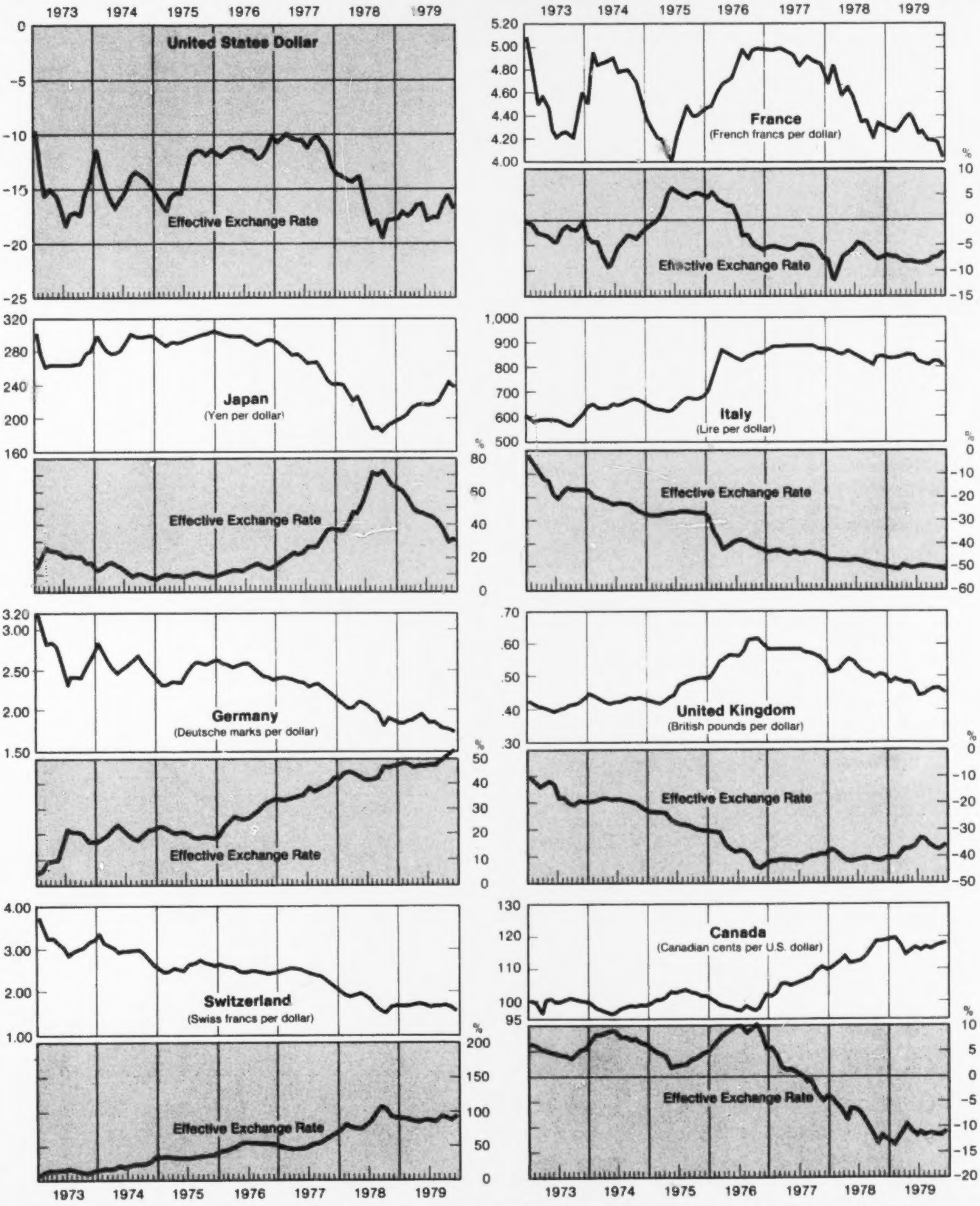
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



Exchange Rates - Foreign Countries



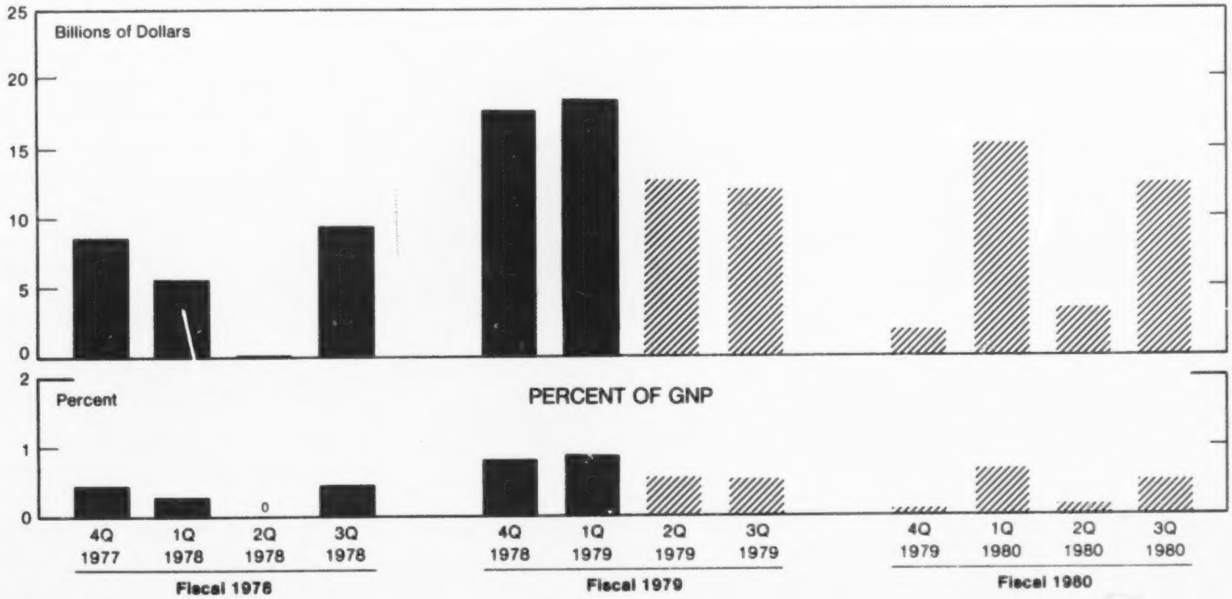
Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies weighted according to the average bilateral manufactures trade of 1976; changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1979		Fiscal 1980		
	Current Services	Actual	Current Services	President's Proposal	Second Congressional Resolution
	(1/23/78)	(10/25/79)	(1/22/79)	(7/7/79)	(11/16/79)
Receipts	**$463.8**	**$465.9**	**$504.5**	**$513.8**	**$517.8**
Outlays	**492.4**	**493.6**	**536.1**	**542.4**	**547.6**
Deficit	**—28.5**	**—27.7**	**—31.6**	**—28.7**	**—29.8**
Receipts by source	**463.8**	**465.9**	**504.5**	**513.8**	**517.8**
Individual income taxes	214.0	217.8	229.6	234.2	236.5
Corporate income taxes	68.8	65.7	71.0	71.5	74.0
Social insurance	142.5	141.6	161.2	162.6	162.9
Other receipts	38.5	40.8	42.7	45.5	44.4
Outlays by function	**492.4**	**493.6**	**536.1**	**542.4**	**547.6**
Income security	159.2	160.3	179.5	185.2	190.0
National defense	116.8	116.5	125.5	126.7	129.9
Health	50.3	49.6	55.1	54.4	54.5
Education and manpower	29.4	28.5	31.0	30.1	31.0
Veterans' benefits	18.9	19.9	20.4	20.8	20.8
Transportation	17.1	17.0	18.0	18.3	18.6
Natural resources and environment	12.0	12.3	11.8	11.5	11.9
Revenue sharing	9.5	8.2	9.2	9.0	9.1
International affairs	7.4	5.4	7.9	8.8	8.4
Community development	8.5	9.7	7.2	7.5	8.3
Energy	7.6	7.9	8.0	8.5	7.3
General science	5.1	5.6	5.4	5.7	5.7
Justice	4.1	4.1	4.3	4.4	4.4
General government	4.2	4.7	4.2	4.4	4.2
Commerce and housing credit	3.1	2.6	3.4	3.2	2.8
Agriculture	5.5	6.4	5.0	2.5	2.5
Interest	48.7	52.6	57.1	57.8	58.1
Allowances	1.1	—	2.1	2.1	— 0.2
Undistributed offsetting receipts	—16.1	—18.1	—19.0	—18.7	—19.7

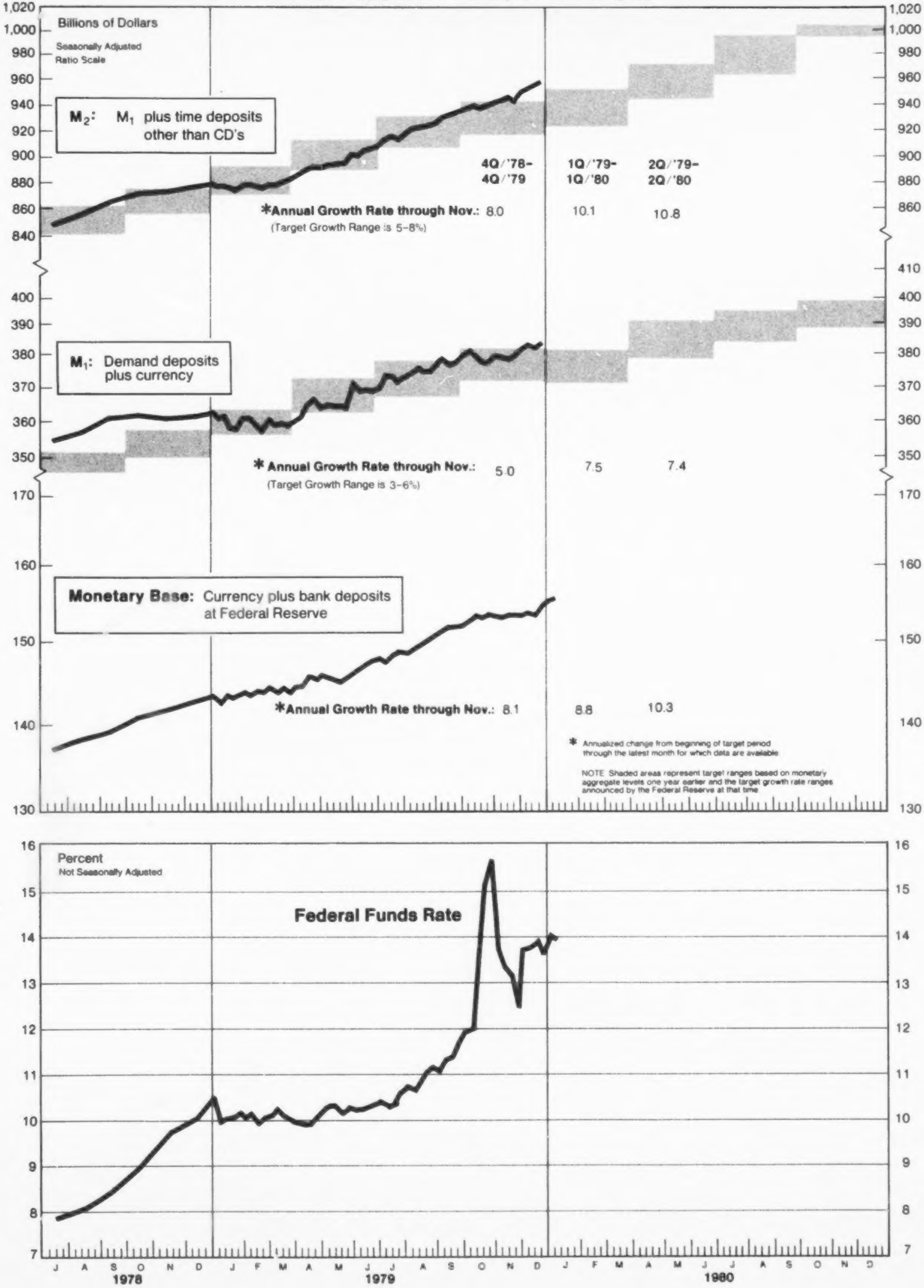
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy*, Fiscal 1977, No. 2, The Conference Board, New York 1976

Money Supply and Monetary Growth Targets



* Annualized change from beginning of target period through the latest month for which data are available

NOTE Shaded areas represent target ranges based on monetary aggregate levels one year earlier and the target growth rate ranges announced by the Federal Reserve at that time

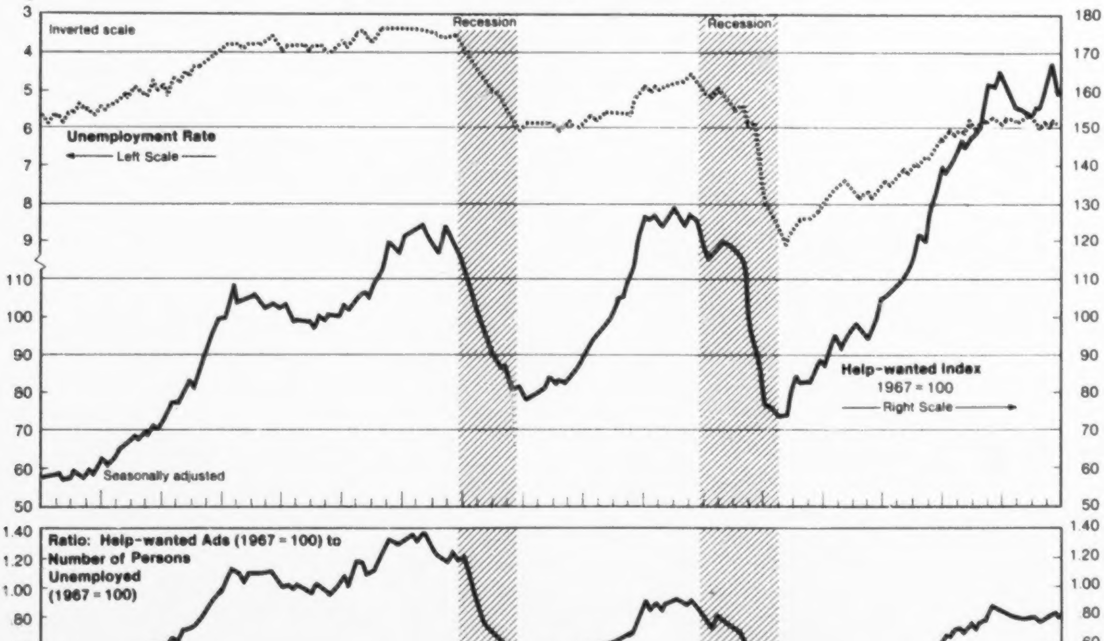
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1979			1978
	Nov.	Oct.	Sept.	Nov.
Total Index 51 papers	158	167r	159	161
New England	142	149	140	143
Boston	149	156	143	143
Hartford	167	171	178	164
Providence	96	104	94	125
Middle Atlantic	71	75	74	70
Albany	104	117	103	106
Allentown	146	177	145	158
New York	59	61	63	54
Philadelphia	69	70	69	70
Pittsburgh	94	101	102	103
Rochester	83	88	75	75
Syracuse	103	95	98	100
East North Central	111	116	115	131
Chicago	111	115	111	122
Cincinnati	155	166	159	181
Cleveland	100	106	111	124
Columbus	153	155	151	178
Dayton	97	99	95	109
Detroit	76	83	81	108
Gary	167	153	161	183
Indianapolis	134	137	133	160
Milwaukee	112	122	127	124
Toledo	130	138	139	174
West North Central	129	136r	130	140
Kansas City	151	159	151	179
Minneapolis	161	167	158	153
Omaha	151	171r	n.a.	175
St. Louis	78	83	80	n.a.
South Atlantic	166	172	161	154
Atlanta	259	265	238	233
Baltimore	108	114	113	104
Charlotte	139	150	148	142
Jacksonville	132	127	121	129
Miami	173	184	178	167
Richmond	102	103	104	105
Washington, D. C.	172	178	161	151
East South Central	156	159	158	170
Birmingham	182	176	174	196
Knoxville	233	246	227	228
Louisville	98	106	103	122
Memphis	121	131	126	117
Nashville	192	187	202	225
West South Central	311	330	309	314
Dallas	278	303	283	281
Houston	474	481	453	459
New Orleans	187	216	188	204
Oklahoma City	242	249	241	257
San Antonio	182	217	192	188
Tulsa	225	254	264	269
Mountain	374	424r	368	393
Denver	296	364r	283	324
Phoenix	424	470	436	389
Salt Lake City	456	475	439	532
Pacific	235	248	236	222
Los Angeles	207	219	206	196
Sacramento	325	329	299	313
San Bernardino	193	193	185	170
San Diego	385	419	398	349
San Francisco	230	239	227	214
Seattle	259	275	286	261
Percentage of papers with rising volume	10%	76%	53%	43%
Unemployment rate	5.8%	6.0%	5.8%	5.8%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
n.a.—not available r—revised

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100

Monthly beginning July 1977; bimonthly before that date

Consumer Confidence Index

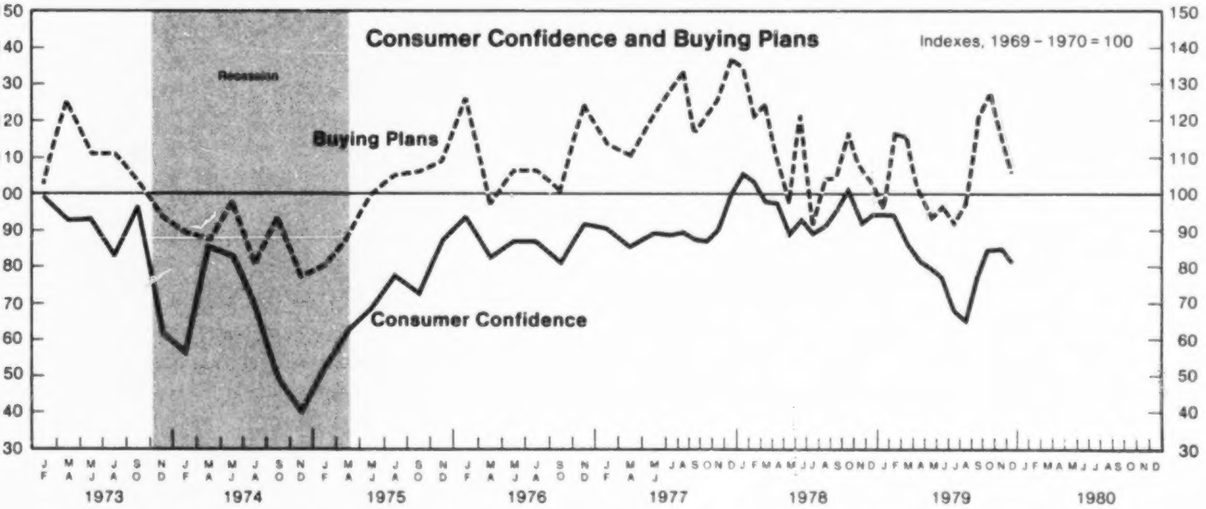
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1977	90.3		85.2		89.2		88.7	89.7	87.6	86.9	90.1	99.8
1978	105.2	103.8	97.3	96.9	88.8	92.5	88.8	91.4	95.4	101.4	91.8	94.0
1979	94.0	94.1	85.8	81.5	79.5	76.8	67.1	64.9	76.8	85.1	85.1r	81.6p

Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1977	113.8		110.2		121.8		128.7	133.4	117.7	121.3	124.5	136.9
1978	134.3	120.7	124.3	109.5	97.1	121.7	91.2	104.0	104.2	116.9	106.4	103.1
1979	95.8	116.3	115.6	101.2	93.8	96.2	91.2	98.0	120.3	127.9	116.2r	105.6p

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised



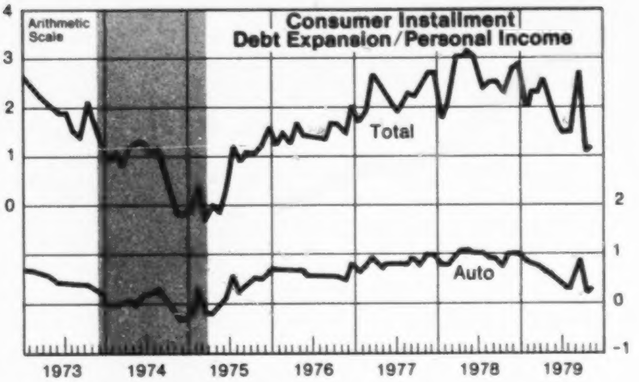
CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

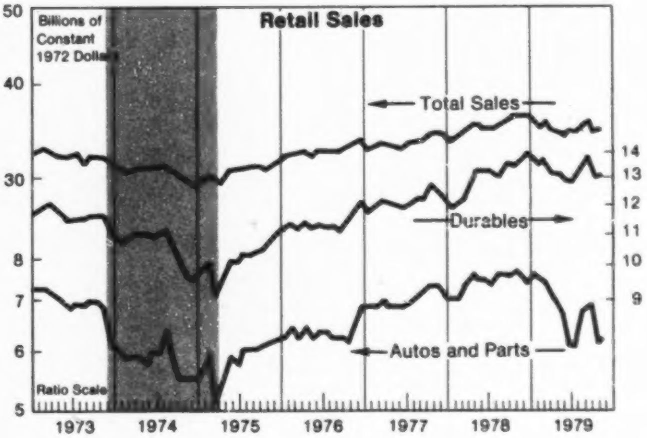
Billions of Dollars; Quarterly Data are Seasonally Adjusted at Annual Rates

		Aggregate Purchasing Power	Discretionary Purchasing Power	Discretionary Saving	Discretionary Spending	Discretionary Purchasing Power as % of Aggregate	Discretionary Spending as % of Aggregate	Discretionary Spending as % of Discretionary Purchasing Power
1975	I	$1075.2	$399.5	$ 67.5	$332.0	37.2%	30.9%	83.1%
	II	1155.6	469.7	125.2	344.5	40.6	29.8	73.3
	III	1160.5	453.4	125.8	327.6	39.1	28.2	72.3
	IV	1220.9	485.4	118.8	366.6	39.8	30.0	75.5
1976	I	1258.3	499.9	133.5	366.4	39.7	29.1	73.3
	II	1288.1	507.0	120.3	386.7	39.4	30.0	76.3
	III	1308.4	514.5	125.5	389.0	39.3	29.7	75.6
	IV	1343.4	533.7	118.2	415.5	39.7	30.9	77.9
1977	I	1394.3	560.4	139.4	421.0	40.2	30.2	75.1
	IIr	1432.2	583.3	143.2	440.1	40.7	30.7	75.4
	IIIr	1520.5	602.0	171.0	431.0	39.6	28.3	71.6
	IVr	1526.1	624.9	146.1	478.8	40.9	31.4	76.6
1978	Ir	1559.9	648.3	141.4	506.9	41.6	32.5	78.2
	IIr	1633.1	680.8	176.8	504.0	41.7	30.9	74.0
	IIIr	1672.4	693.1	184.2	508.9	41.4	30.4	73.4
	IVr	1701.4	690.9	150.3	540.6	40.6	31.8	78.2
1979	Ip	1746.1	712.2	149.5	562.7	40.8	32.2	79.0

Note: For an explanation of discretionary purchasing power and spending, see Morton Ehrlich, *Discretionary Spending*, (The Conference Board, 1966).

P—Preliminary R—Revised





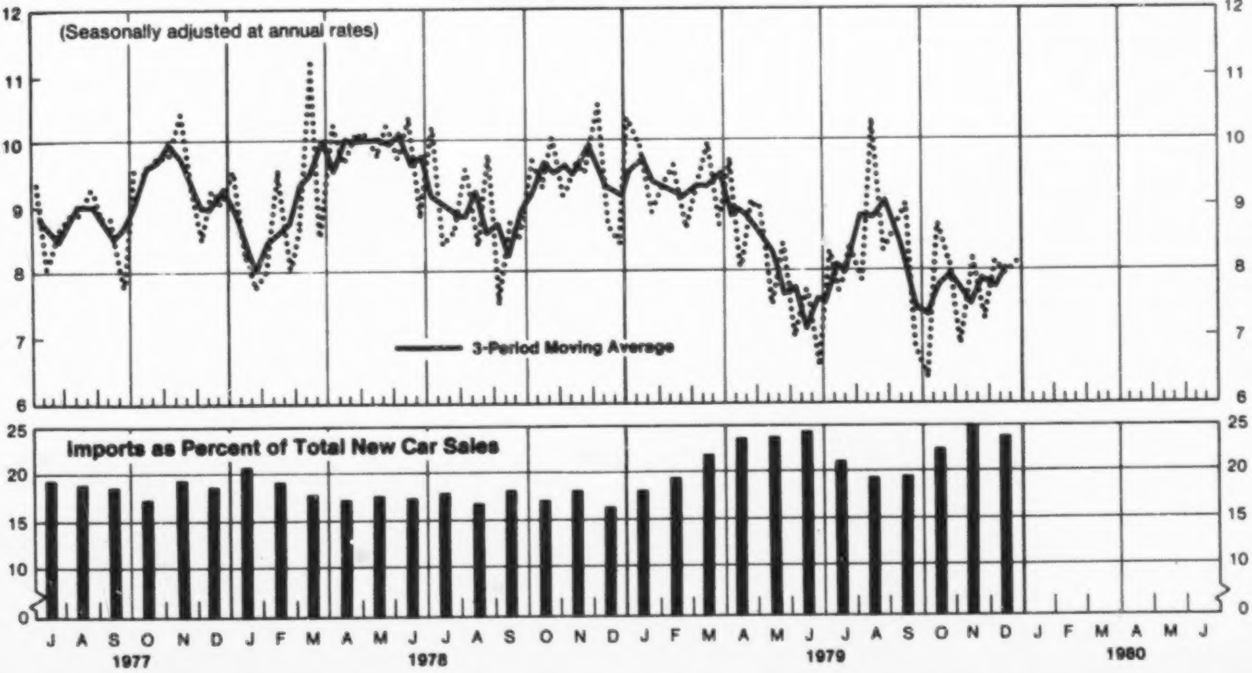
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1976	1977	1978	1979
January:	1-10	8.27	9.95	9.54	10.32
	11-20	8.54	9.81	8.28	9.85
	21-31	9.00	8.36	7.73	8.91
February:	1-10	8.31	9.87	8.03	9.38
	11-20	9.25	8.53	9.52	9.64
	21-28(29)	8.83	8.80	8.07	8.65
March:	1-10	8.45	10.04	8.65	9.12
	11-20	8.28	8.25	11.20	9.96
	21-31	9.39	10.01	8.59	8.73
April:	1-10	8.55	8.12	10.26	9.69
	11-20	9.21	9.47	9.67	8.09
	21-30	8.71	9.42	10.09	9.02
May:	1-10	8.64	9.25	10.10	8.97
	11-20	9.27	8.77	9.77	7.44
	21-31	7.88	9.04	10.22	8.42
June:	1-10	8.64	9.57	9.75	6.99
	11-20	8.16	9.27	10.33	7.67
	21-30	9.14	9.06	8.83	6.55
July:	1-10	8.16	9.38	10.18	8.28
	11-20	8.77	8.02	8.40	7.61
	21-31	8.16	8.58	8.56	8.38
August:	1-10	8.92	8.89	9.49	7.84
	11-20	7.57	8.84	8.38	10.25
	21-31	7.56	9.32	9.76	8.30
September:	1-10	7.99	8.84	7.50	8.67
	11-20	8.21	8.81	8.75	9.01
	21-30	8.39	7.80	8.47	6.82
October:	1-10	8.33	9.56	9.68	6.32
	11-20	8.18	9.51	9.28	8.75
	21-31	7.79	9.73	10.05	8.18
November:	1-10	8.53	9.73	9.17	6.84
	11-20	8.86	10.42	9.61	8.22
	21-30	9.68	9.19	9.53	7.26
December:	1-10	9.11	8.52	10.56	8.05
	11-20	10.29	9.23	8.72	7.94
	21-31	9.56	9.06	8.40	8.04

Note: Dealer sales exclude exports and imported foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.

Millions of Domestic-Model Cars



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STATISTICAL BULLETIN

Volume 13 No. 2, February, 1980

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THE CONFERENCE BOARD

comment One of the most significant developments of 1979 was that the most widely heralded recession in history did not occur. Then again, the pace of economic activity last year was hardly robust. The weakness in consumer markets, a major concern at the beginning of the year, remained troublesome at year's end. And the strength in capital markets was being eroded by a slowdown in retail sales as well as by sharply higher borrowing costs. After all was said and done, it appeared that the economic outlook in early 1980 was remarkably similar to that of early 1979. Some analysts are suggesting now that the forecasts of recession for 1980 may suffer the same fate as those of last year.

Data on the *Key Determinants of Profit Margins* chart show that substantial increases in compensation per hour have, at best, matched high inflation. Real compensation per hour has been flat for much of the last 2½ years. Gains in consumer spending, then, have been acheived through sharply higher borrowing as well as significantly lower consumer savings. More recently, however, consumers have been cutting back on borrowing. The ratio of installment debt expansion to personal income had subsided to about 1% in December, 1979 compared with a 3% ratio at its peak in mid-1978. Consumer buying on credit, then, has dampened. Total retail sales, adjusted for inflation, have been essentially flat since last October.

Consumer attitudes, on the other hand, have brightened of late. The Conference Board's *Consumer Confidence Index* hit a low of 67.1 (1969-70 = 100) last July but had improved to 83.5 by November. Of particular note is the improvement in expectations of business conditions six months hence which registered higher this December than last.

At this time last year, we suggested consumer had neither the resources nor the inclination to step up their buying any time soon. And the weakness in consumer markets would sap the strength in capital markets. Since then, consumer borrowing has clearly diminished, but consumer attitudes do not appear to be steadily declining. Hence, the statement about weakness in consumer buying appears to be less valid at the present time. Additionally, there is some question about how much strength has gone out of business investment.

The Conference Board's *Capital Appropriations and Expenditures* model had forecast a decline in business investment for the fourth quarter of 1979. Like many others, this forecast may prove quite inaccurate. The series on orders for new plant and equipment was sharply higher in December than three months earlier. Business loans, likewise, were up substantially despite the highest borrowing costs in postwar history. Although profit margins have been shrinking, and interest rates rising, the market for plant and equipment appears to be maintaining its strength. If true, rather than seeing consumer market weakness erode strength in capital markets, the reverse could well develop: The momentum of capital markets may spark some new life in consumer goods markets.

Both industrial production and capacity utilization rates registered only modest declines in the last few months. This suggests that, given the trends in final demands, production cutback—except in the automotive industry—have so far been minimal.

Data on *Money Supply and Monetary Targets* show some moderation in the expansion of the money aggregates in both December and January. Still, the Federal Funds rate—the rate at which banks borrow excess reserves from each other—has continued to fluctuate around the 14% level during this period. Maintaining a restrictive monetary policy has benefitted from a slowing in the rate of consumer borrowing, but business loans have again started to rise substantially. Furthermore, the dollar's value dropped again in January. The trade-weighted average *Exchange Rate* against other major currencies that month was 17.4% below June, 1970 parities. Only a month ago, some analysts were suggesting that monetary policy was in a bind for being "too late to tighten, too early to ease." It still looks like it is too early to expect any easing of restraint. In addition, given the upturn in business loans, and the downturn in the value of the currency, there could yet be some further raising of interest rates beyond the record high levels already attained.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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THE CONFERENCE BOARD IN CANADA
25 McArthur Road
Ottawa, Ontario, K1L-6R3, Canada

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845 Third Avenue
New York, New York 10022

THE CONFERENCE BOARD IN EUROPE
Avenue Louise, 326-Bte 48
B-1050 Brussels, Belgium

The new proposals for fiscal 1981 have been incorporated in the *Perspective on the Federal Budget* table. The amount, or lack of stimulus these proposed taxing and spending plans are expected to have on the economy are shown in the *Fiscal Thrust* chart. The bottom line on all these numbers is that the proposed federal budget is not now stimulative. That is consistent with the announced objective of using fiscal discipline as a weapon in the fight to unwind a tightly coiled inflationary spiral. It is not, however, consistent with the objective of increasing real defense outlay. The procurement component of the proposed defense expenditure will not rise substantially for a year, at least, but its psychological effect is already evident. Despite the mildly restrictive stance of the budget proposal, the plain fact is that economic policy is in a condition of fundamental confusion, and understandably so. Correspondingly, which direction the economy is headed is equally unclear at the moment.

The index of *Leading Economic Indicators* continues to carry a declining trend classification, based on its movements over the last several months. Likewise, The Conference Board's *Principal Diffusion Index* has been dropping, which indicates that the strength remaining in activity has become steadily more concentrated. These numbers clearly suggest that further slowing in the pace of economic activity is likely.

The concensus of the *Economic Forecasts*, continues to be one of recession lasting through the first two quarters of 1980, followed by a period of adjustment—neither contraction nor expansion—in the third quarter, finally developing into a new growth phase of the business cycle in the year's final months. Some forecasts, including that from The Conference Board, however, have already abandoned the recession scenario. Others, with the ink on the computer runs barely dry, indicate that a revision in outlook has been initiated. Once again, those forced to forecast are being forced to forecast more frequently.

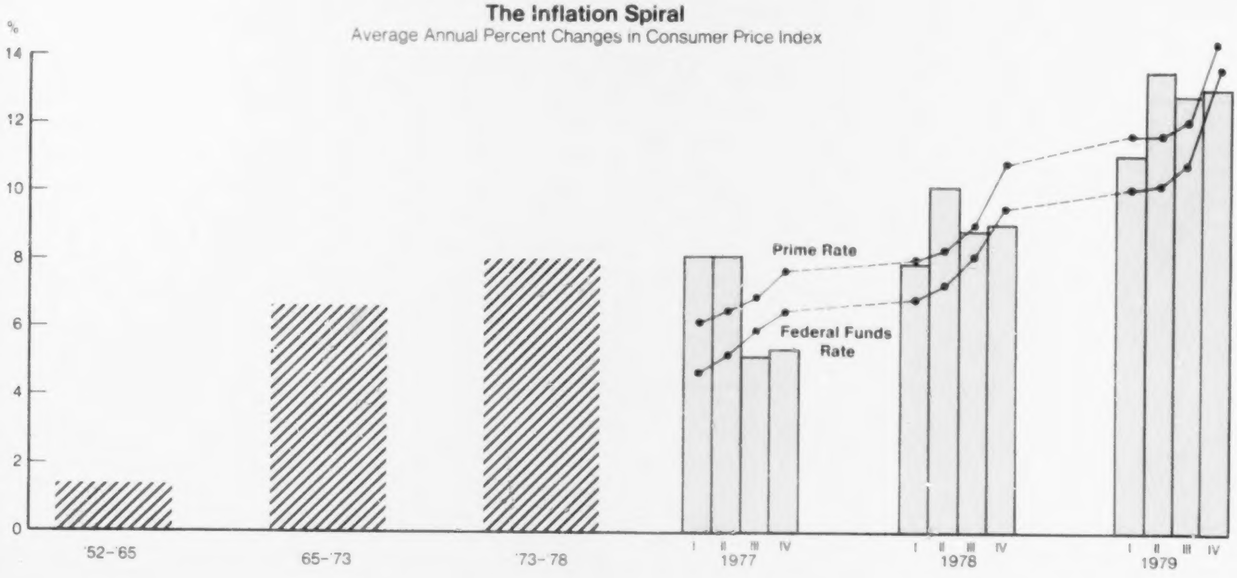
At the moment, the most likely alternative scenario has the economy suffering from very sluggish growth throughout the first half of the year. Starting around midyear, however, the strength in capital markets, some rejuvenation in consumer markets, the stimulative effect of higher defense outlays, continued improvement in exports—among other factors—can be expected to lift economic growth into a new expansionary phase of the busines cycle. That's the good news.

For more than a year and a half, an integral part of most forecasts has been a slowing in the rate of inflation, resulting from a slowing in the pace of activity. Inflation, as measured by the implicit price deflator for GNP, was still as high as 8.7% in the fourth quarter of 1979 (seasonally adjusted at an annual rate). The recession forecasts anticipate that the rate of inflation will slow to only about 8% (median forecast) by the second quarter of 1981. And even the most optimistic forecast has it declining no more than to about 7½ percent. Without a recession, slack in the economy will not be an important contributor to the control of inflation. In that event, inflation will not only resume an upward spiral at a higher rate, but could be expected to do so at an earlier date.

Ken Goldstein

The Inflation Spiral

Average Annual Percent Changes in Consumer Price Index



STATUS OF LEADING ECONOMIC INDICATORS

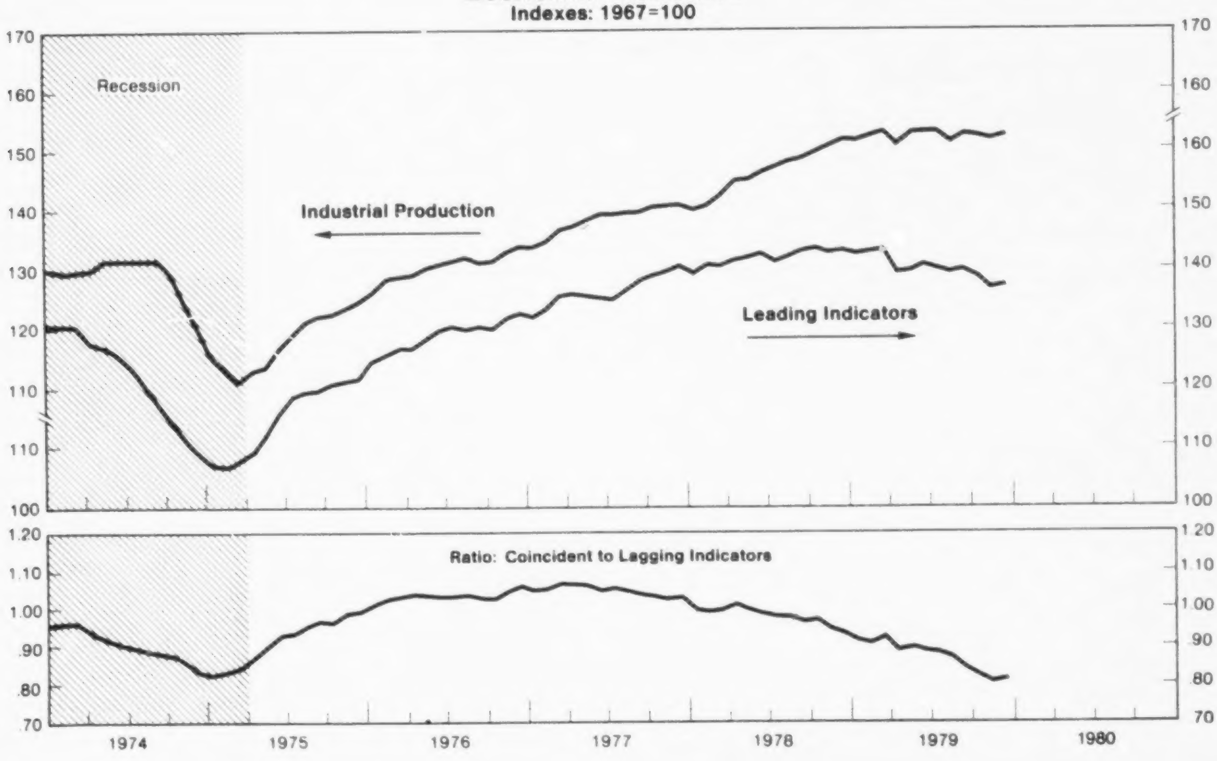
		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Dec.			X	— 2.2%	— 4.3%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Dec.	X			+ 10.2%	+ 16.6%
New orders, nondefense capital goods (deflated)	Dec.	X			+ 2.9%	+ 14.3%
*Net business formation	Oct.		X		+ 0.5%	— 1.8%
*Housing permits	Dec.			X	—32.1%	—32.1%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Dec.			X	— 6.1%	—12.2%
*Change in inventory, on hand & order (deflated)	Nov.			X	—22.2%	—24.6%
Purchasing agents' buying policy	Jan.		X		+ 2 %	— 7 %
*Vendor performance, reported slower deliveries	Dec.			X	— 3.9%	—27.9%
Industrial raw materials prices	Jan.	X			+ 2.2%	+ 21.7%
*Change in sensitive prices	Nov.	X			+ 1.0%	+ 1.3%
Sensitive Financial Flows						
*Money balance (M2, deflated)	Dec.			X	— 1.5%	— 4.0%
Change in business loans	Jan.	X			+ 52.0%	+ 29.3%
*Change in liquid assets	Nov.		X		0.0%	— 0.1%
Change in consumer installment debt	Nov.		X		— 0.5%	—17.1%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			+ 3.8%	+ 9.0%
*Common stock prices	Jan.	X			+ 4.2%	+ 9.2%
Marginal Employment Adjustments						
*Average workweek, mfg.	Dec.		X		+ 0.1	— 0.4
Initial unemployment claims (inverted)	Dec.			X	— 6.5%	—25.2%
*Layoff rate, mfg. (inverted)	Dec.		X		0.0%	+ 0.3%

Note: For historical data of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Business Conditions Digest*, (Washington, D.C.: Government Printing Office, July, 1978, p. 100. For a description of the index, see November, 1975, page V)

*These twelve series make up the composite leading index charted below.

Economic Indicators

Indexes: 1967=100



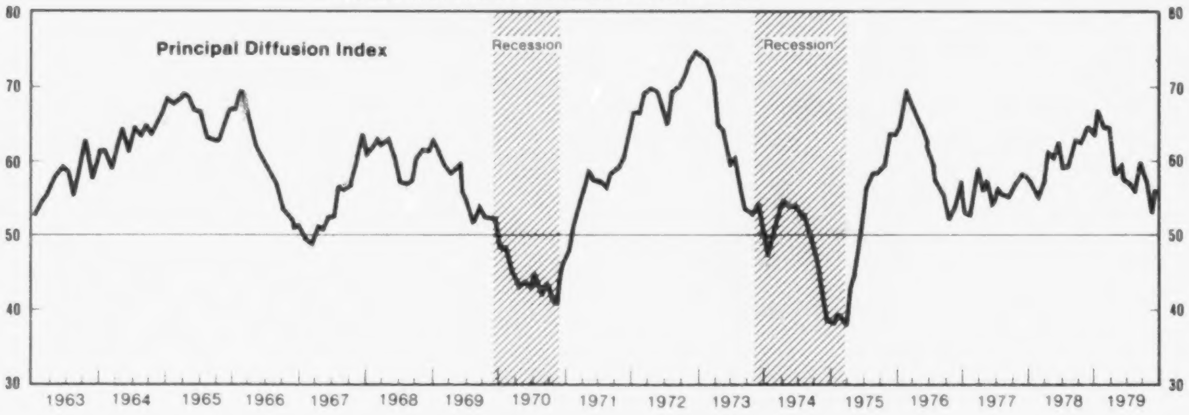
CONFERENCE BOARD DIFFUSION INDEXES

	1978	1979			
DIFFUSION INDEXES	Dec.	Sept.	Oct	Nov.	Dec.(e)
Principal Diffusion Index	67.3	59.9r	57.2r	53.3r	56.1
Auxiliary Diffusion Index	44.8	62.6r	41.3r	37.4r	59.1
Industrial Group	69.4	51.3r	48.3r	44.4r	48.8
Nonindustrial Group	65.3	68.5	66.0	62.2r	63.3
Sense of Diffusion	1.0	1.0	0	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	86.8	58.8	49.1r	48.3r	50.6
Labor	64.0	45.8r	49.2r	45.0r	49.1
Miscellaneous	57.1	53.8	44.9	37.2	45.5
Nonindustrial Subgroups					
Prices	66.0	76.3	73.1	62.2	67.3
Consumer	89.3	77.4	70.5	69.2	68.4
Building	58.3	52.6	52.6	44.9	50.0
Miscellaneous	45.3	65.0	65.8	66.7r	64.5

Note: The principal diffusion index reflects the frequency of upward change in 20 component series over the 12-month period ending in the month indicated. The index is based solely on the direction of change from month to month and not on the magnitude of such changes. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than that of earlier movements. If, for example, ten of the component series had increased and ten had decreased in each of the last twelve months, the current index would register a value of 50. But, because of weighting, the index would be considerably greater than 50, if all the series had increased in each of the last six months and had fallen in each of the first six months of the interval. The index closely coincides with turning points at the peak of a business cycle but tends to lag at troughs. For an explanation of the diffusion indexes and their components, see Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966, pp. 12-15.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1977			1978				1979			
	May	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*
					Score (scale 0-100)						
Measure of Business Confidence	71	59	52	52	58	49	40	43	41	32	32
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	74	62	48	46	60	58	45	47	47	28	29
2. Expectations for Economy, Six Months Ahead	70	56	49	49	54	42	33	36	33	29	29
3. Expectations for Own Industry, Six Months Ahead	69	60	58	59	60	49	43	46	43	38	38

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

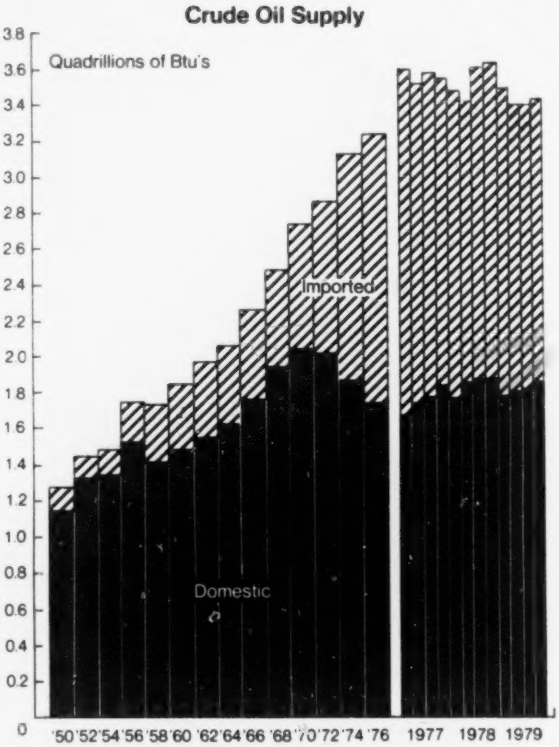
CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

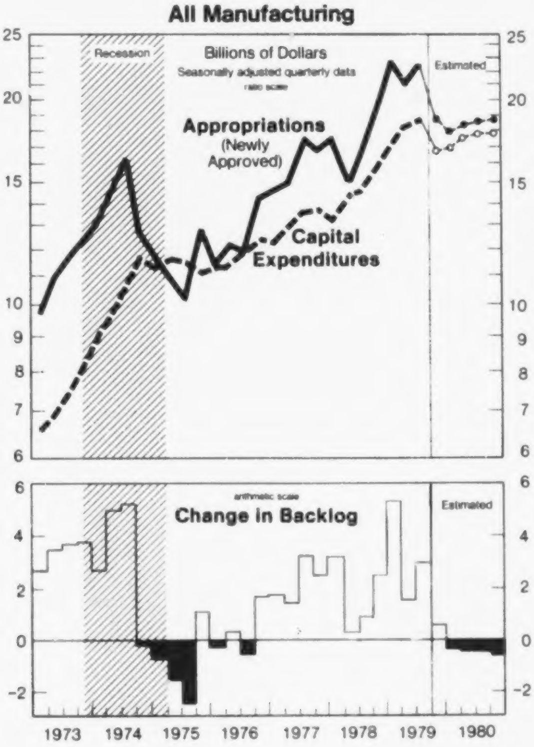
Billions of Dollars, Seasonally Adjusted

	1978			1979			1980			
						PROJECTIONS				
	IIr	IIIr	IVr	Ir	IIr	IIIp	IV	I	II	III	IV
1000 LARGEST MANUFACTURING FIRMS											
Newly approved	15.118	16.174	18.749	22.585	21.033	22.520	18.6	17.8	18.3	18.5	18.6
Capital expenditures	14.367	14.566	15.827	16.648	18.027	18.553	16.7	16.9	17.5	17.7	17.8
Change in appropriations backlog	+0.246	+0.859	+2.593	+5.252	+1.468	+3.579	+0.5	−0.3	−0.4	−0.4	−0.5
Durable Goods											
Newly approved	7.456	8.443	9.869	11.114	10.672	9.992	8.6	8.7	8.4	7.7	7.4
Capital expenditures	6.503	6.689	7.165	7.793	8.379	8.982	8.1	8.3	8.3	8.2	7.8
Change in appropriations backlog	+0.730	+1.495	+2.676	+3.149	+1.970	+0.908					
Nondurable Goods											
Newly approved	7.662	7.731	8.880	11.471	10.361	12.528	10.0	9.1	10.0	10.8	11.3
Capital expenditures	7.864	7.877	8.662	8.855	9.648	9.571	8.6	8.6	9.2	9.6	10.0
Change in appropriations backlog	−0.484	−0.636	−0.083	+2.103	−0.502	+2.671					
ELECTRIC & GAS UTILITIES											
Appropriations	5.765	8.719	10.281	7.077	5.773	12.635					
Capital expenditures	6.283	6.514	7.025	7.173	7.120	7.237					
Change in appropriations backlog	−1.242	−3.185	+2.471	−3.601	−3.944	+4.762					

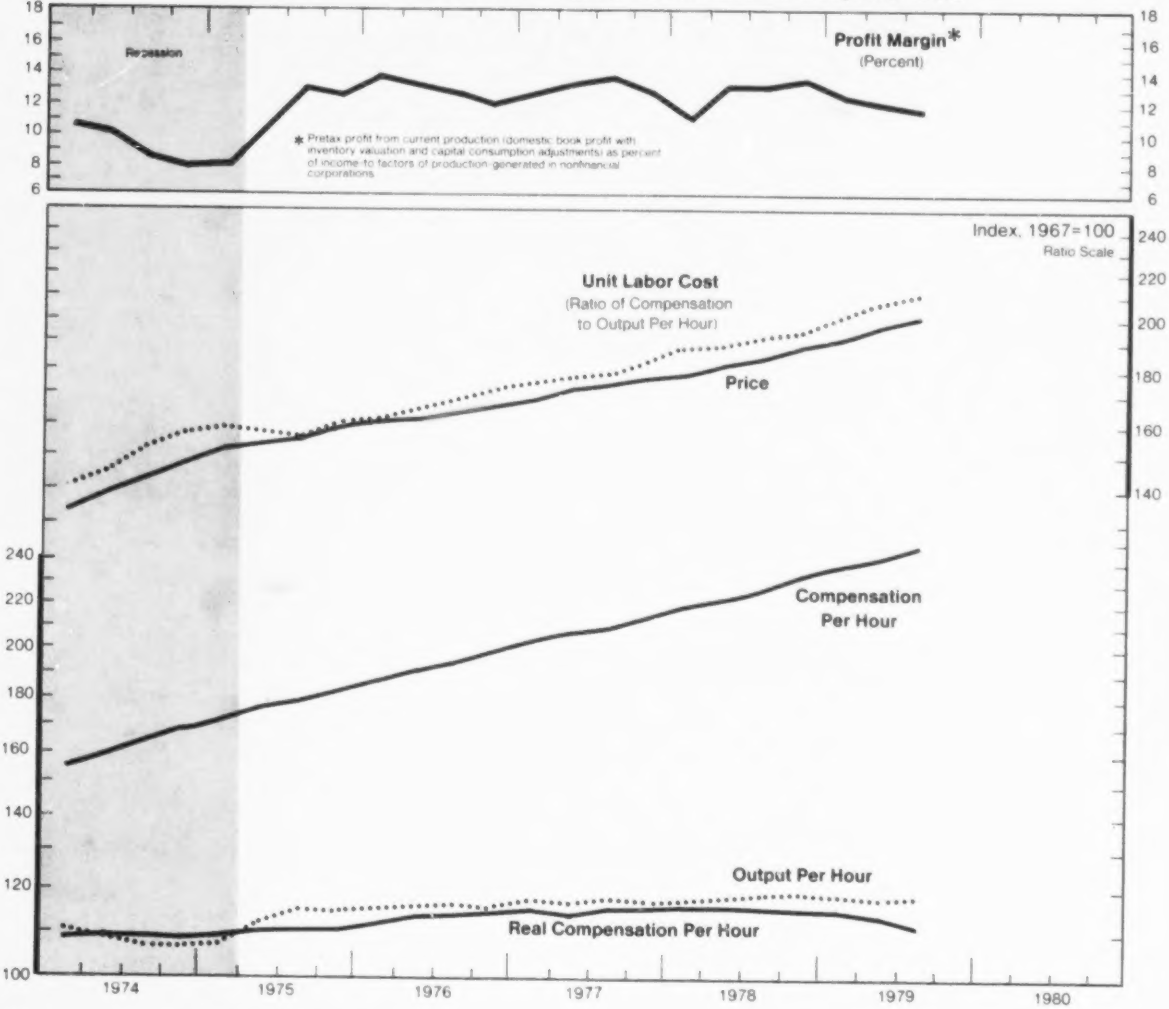
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request. Projections are based on The Conference Board's capital appropriations forecasting model.

r—revised p—preliminary



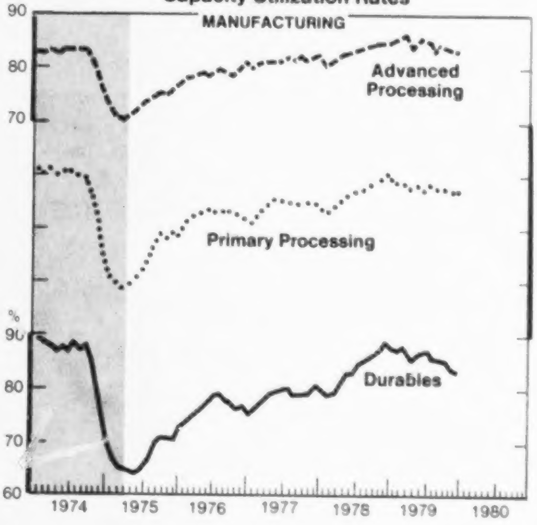


Key Determinants of Profit Margin, Nonfinancial Corporations

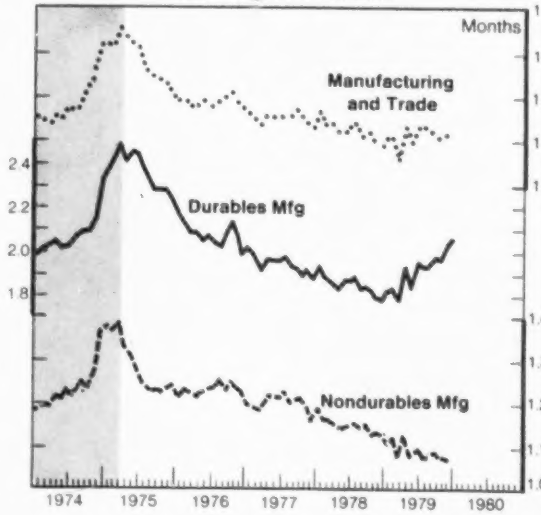


* Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income to factors of production generated in nonfinancial corporations

Capacity Utilization Rates



Inventory-Sales Ratios



Seasonally Adjusted

ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[3]		Merrill Lynch Economics Inc.[1]		Kent Economic Institute[1]		Michigan Research Seminar in Quantitative Economics[2]	
Date of Forecast			Dec., 1979		Jan., 1980		Jan., 1980		Nov., 1979	
			Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change
Gross National Product Current Dollars										
Actual	**1979**	**IV**			**$2455.8**	**10.3%**	**$2455.8**	**10.3%**		
Forecast	1980	I	$2450.7	**2.6%**	2496.1	**6.7**	2513.7	**9.8**	$2500.0	**8.3%**
		II	2484.2	**5.6**	2515.1	**3.1**	2588.2	**12.4**	2543.0	**7.1**
		III	2537.3	**8.8**	2549.8	**5.6**	2673.5	**13.8**	2589.9	**7.6**
		IV	2603.1	**10.8**	2615.4	**10.7**	2751.5	**12.2**	2649.4	**9.5**
	1981	I	2680.5	**12.4**	2696.9	**13.1**	2771.3	**2.9**	2706.8	**8.9**
		II	2763.6	**13.0**	2775.5	**12.2**	2863.5	**14.0**	2771.1	**9.9**
		III	2848.9	**12.9**	2865.4	**13.6**	2976.6	**16.8**		
		IV	2945.2	**14.2**	2954.3	**13.0**	3072.3	**13.5**		
	1979	**Annual**			**2368.5**	**11.3**	**2368.5**	**11.3**		
	1980	Annual	2518.8	**6.6**	2544.1	**7.4**	2631.7	**11.1**	2570.6	**8.6**
	1981	Annual	2809.5	**11.5**	2823.0	**11.0**	2920.9	**11.0**		
Gross National Product Constant (1972) Dollars										
Actual	**1979**	**IV**			**$1438.4**	**1.4%**	**$1438.4**	**1.4%**		
Forecast	1980	I	$1406.6	**—5.0%**	1430.1	**—2.3**	1436.4	**—0.6**	$1428.1	**—0.9%**
		II	1397.2	**—2.6**	1410.9	**—5.3**	1438.7	**0.8**	1424.1	**—1.1**
		III	1402.2	**1.4**	1401.0	**—2.8**	1446.7	**2.2**	1422.8	**—0.3**
		IV	1410.5	**2.4**	1409.3	**2.4**	1454.3	**2.1**	1425.8	**0.8**
	1981	I	1425.9	**4.4**	1424.6	**4.4**	1460.1	**1.6**	1428.9	**0.9**
		II	1443.5	**5.0**	1438.6	**4.0**	1476.8	**4.7**	1434.9	**1.7**
		III	1460.5	**4.8**	1457.2	**5.3**	1489.8	**3.6**		
		IV	1478.5	**5.0**	1474.0	**4.7**	1501.6	**3.2**		
	1979	**Annual**			**1431.1**	**2.3**	**1431.1**	**2.3**		
	1980	Annual	1404.1	**—1.7**	1412.8	**—1.3**	1444.0	**0.9**	1425.2	**—0.3**
	1981	Annual	1452.1	**3.4**	1448.6	**2.5**	1482.1	**2.6**		
Gross National Product Deflator Index, 1972 = 100										
Actual	**1979**	**IV**			**170.7**	**8.7%**	**170.7**	**8.7%**		
Forecast	1980	I	174.2	**7.9%**	174.5	**9.2**	175.0	**10.4**	175.1	**9.3%**
		II	177.8	**8.5**	178.3	**8.8**	179.9	**11.7**	178.6	**8.3**
		III	181.0	**7.3**	182.0	**8.7**	184.8	**11.4**	182.0	**8.0**
		IV	184.6	**8.2**	185.6	**8.1**	189.2	**9.9**	185.8	**8.6**
	1981	I	188.0	**7.7**	189.3	**8.3**	189.8	**1.3**	189.4	**8.0**
		II	191.5	**7.6**	192.9	**7.9**	193.9	**8.9**	193.1	**8.0**
		III	195.1	**7.8**	196.6	**7.9**	199.8	**12.7**		
		IV	199.2	**8.8**	200.4	**7.9**	204.6	**10.0**		
	1979	**Annual**			**165.5**	**8.9**	**165.5**	**8.9**		
	1980	Annual	179.4	**8.4**	180.1	**8.6**	182.2	**10.1**	180.4	**8.9**
	1981	Annual	193.4	**7.8**	194.8	**8.2**	197.0	**8.1**		
Unemployment Rate										
Actual	**1979**	**IV**				**5.9%**		**5.9%**		
Forecast	1980	I		**6.6%**		**6.4**		**6.3**		**6.4%**
		II		**7.2**		**7.2**		**6.3**		**6.9**
		III		**7.6**		**7.9**		**6.2**		**7.3**
		IV		**8.0**		**8.3**		**6.4**		**7.6**
	1981	I		**8.2**		**8.3**		**6.5**		**7.9**
		II		**8.1**		**8.3**		**6.2**		**8.1**
		III		**8.1**		**8.0**		**6.2**		
		IV		**7.9**		**7.8**		**6.1**		
	1979	**Annual**				**5.8**		**5.8**		
	1980	Annual		**7.3**		**7.4**		**6.3**		**7.1**
	1981	Annual		**8.1**		**8.1**		**6.2**		

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary fourth quarter data.

[2] Based on preliminary third quarter data

[3] Based on revised (first revision) third quarter data.

ECONOMIC FORECASTS (continued)

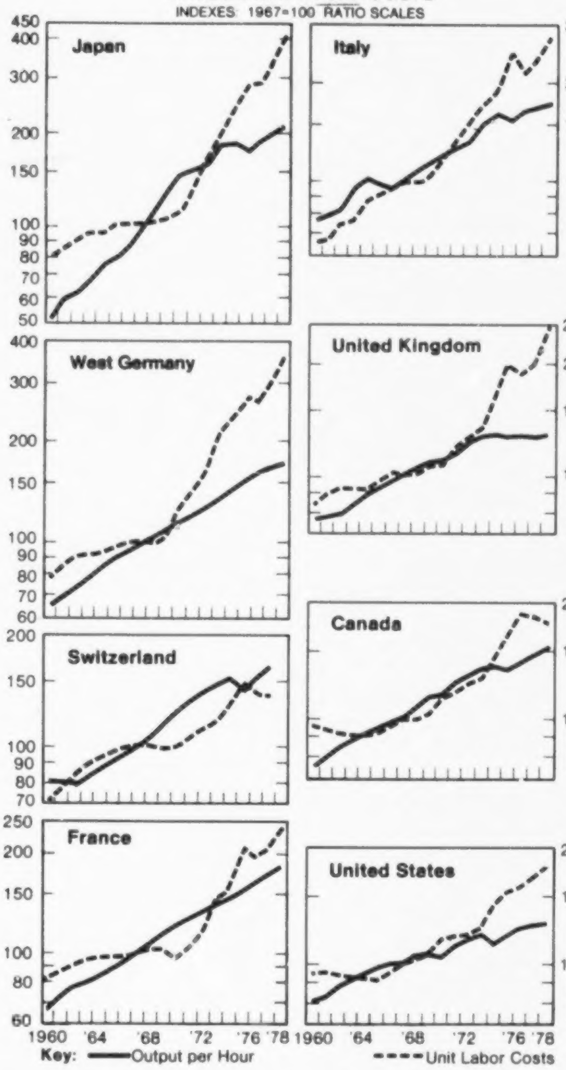
The Conference Board[1]		Chase Econometric Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Jan., 1980		Jan., 1980		Jan., 1980		Jan., 1980				
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Current Dollars		
$2455.8	10.3%	$2455.8	10.3%	$2455.8	10.3%	$2455.8	10.3%	IV	1979	Actual
2518.0	10.5	2488.5	5.4	2505.3	8.3	2503.6	8.0	I	1980	Forecast
2581.0	10.4	2508.6	3.3	2541.1	5.8	2546.9	7.1	II		
2665.0	13.7	2546.6	6.2	2579.8	6.2	2597.8	8.2	III		
2740.0	11.7	2619.3	11.9	2647.5	10.9	2657.8	9.6	IV		
2813.0	11.1	2697.4	12.5	2735.9	14.0	2727.9	11.0	I	1981	
2888.0	11.1	2780.1	12.8	2828.8	14.3	2793.6	10.0	II		
2955.0	9.6	2855.6	11.3	2930.5	15.2	2862.5	10.2	III		
3024.0	9.7	2938.4	12.1	3035.6	15.1	2935.7	10.6	IV		
2368.5	11.3	2368.5	11.3	2368.5	11.3	2368.5	11.3	Annual	1979	
2626.0	10.9	2540.7	7.3	2568.4	8.4	2576.5	8.8	Annual	1980	
2920.0	11.2	2817.9	10.9	2882.7	12.2	2829.9	9.8	Annual	1981	
								Gross National Product Constant (1972) Dollars		
$1438.4	1.4%	$1438.4	1.4%	$1438.4	1.4%	$1438.4	1.4%	IV	1979	Actual
1442.0	1.0	1424.9	—3.7	1435.2	—0.9	1432.4	—1.7	I	1980	Forecast
1448.4	1.8	1409.8	—4.2	1422.4	—3.5	1428.8	—1.0	II		
1464.4	4.5	1405.2	—1.3	1412.1	—2.9	1430.1	0.4	III		
1476.0	3.2	1416.0	3.1	1415.8	1.1	1432.1	0.6	IV		
1487.1	3.0	1428.3	3.5	1430.5	4.2	1439.3	2.0	I	1981	
1498.3	3.0	1439.8	3.3	1447.0	4.7	1446.9	2.1	II		
1505.6	2.0	1450.8	3.1	1466.5	5.5	1456.5	2.7	III		
1513.1	2.0	1463.2	3.5	1483.8	4.8	1465.7	2.6	IV		
1431.1	2.3	1431.1	2.3	1431.1	2.3	1431.1	2.3	Annual	1979	
1457.7	1.9	1414.0	—1.2	1421.4	—0.7	1430.8	0.0	Annual	1980	
1501.0	3.0	1445.5	2.2	1456.9	2.5	1452.1	1.5	Annual	1981	
								Gross National Product Deflator Index, 1972 = 100		
170.7	8.7%	170.7	8.7%	170.7	8.7%	170.7	8.7%	IV	1979	Actual
174.6	9.4	174.6	9.5	174.6	9.3	174.8	9.8	I	1980	Forecast
178.2	8.5	177.9	7.8	178.6	9.7	178.3	8.2	II		
182.0	8.8	181.2	7.6	182.7	9.4	181.7	7.8	III		
185.6	8.3	185.0	8.5	187.0	9.8	185.6	9.0	IV		
189.2	7.6	188.9	8.6	191.3	9.4	189.5	8.8	I	1981	
192.8	7.8	193.1	9.3	195.5	9.2	193.1	7.7	II		
196.3	7.5	196.8	8.0	199.8	9.2	196.5	7.4	III		
199.9	7.5	200.8	8.4	204.6	9.9	200.3	7.9	IV		
165.5	8.9	165.5	8.9	165.5	8.9	165.5	8.9	Annual	1979	
180.1	8.8	179.7	8.6	180.7	9.2	180.1	8.8	Annual	1980	
194.5	8.0	194.9	8.5	197.8	9.4	194.9	8.2	Annual	1981	
								Unemployment Rate		
	5.9%		5.9%		5.9%		5.9%	IV	1979	Actual
	6.3		6.4		6.1		6.3	I	1980	Forecast
	6.6		7.1		6.5		6.7	II		
	6.5		7.6		7.0		7.1	III		
	6.4		7.9		7.4		7.5	IV		
	6.3		7.9		7.6		7.6	I	1981	
	6.2		7.8		7.6		7.7	II		
	6.2		7.7		7.4		7.8	III		
	6.2		7.6		7.3		7.8	IV		
	5.8		5.8		5.8		5.8	Annual	1979	
	6.4		7.2		6.8		6.9	Annual	1980	
	6.2		7.7		7.5		7.7	Annual	1981	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

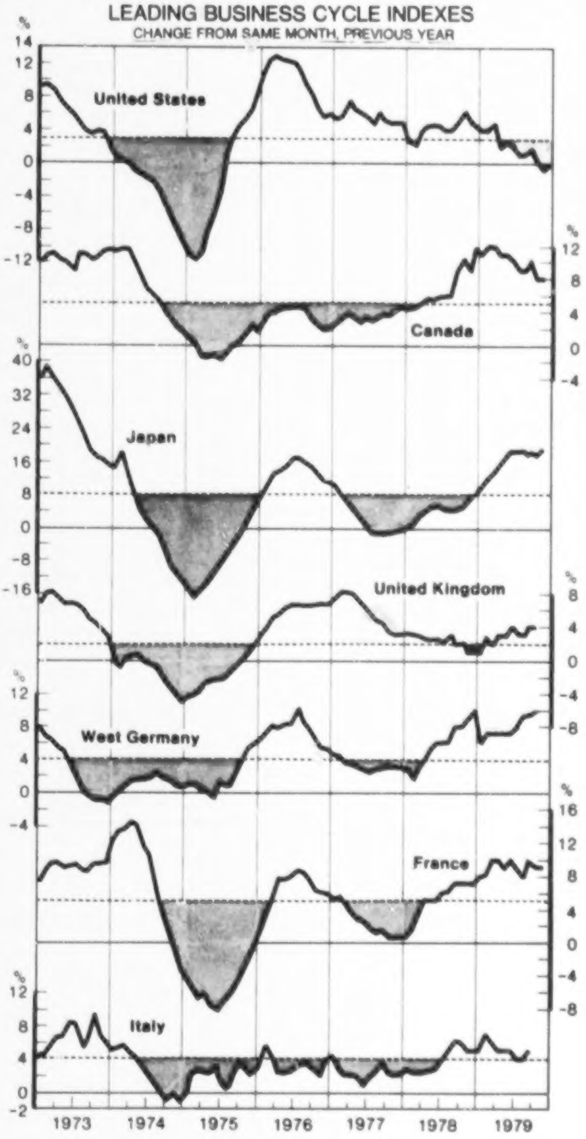
PRODUCTIVITY AND COSTS

INDEXES: 1967=100 RATIO SCALES

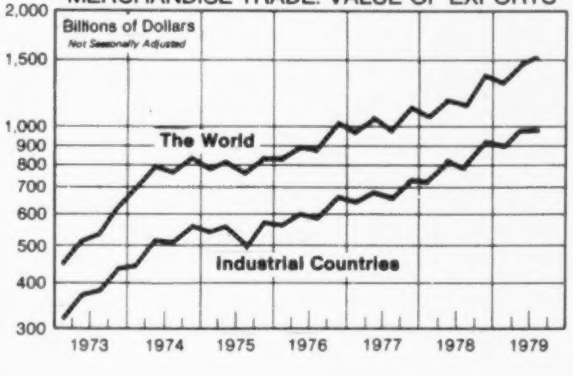


LEADING BUSINESS CYCLE INDEXES

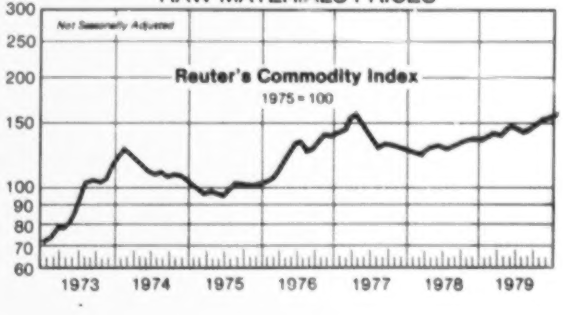
CHANGE FROM SAME MONTH, PREVIOUS YEAR



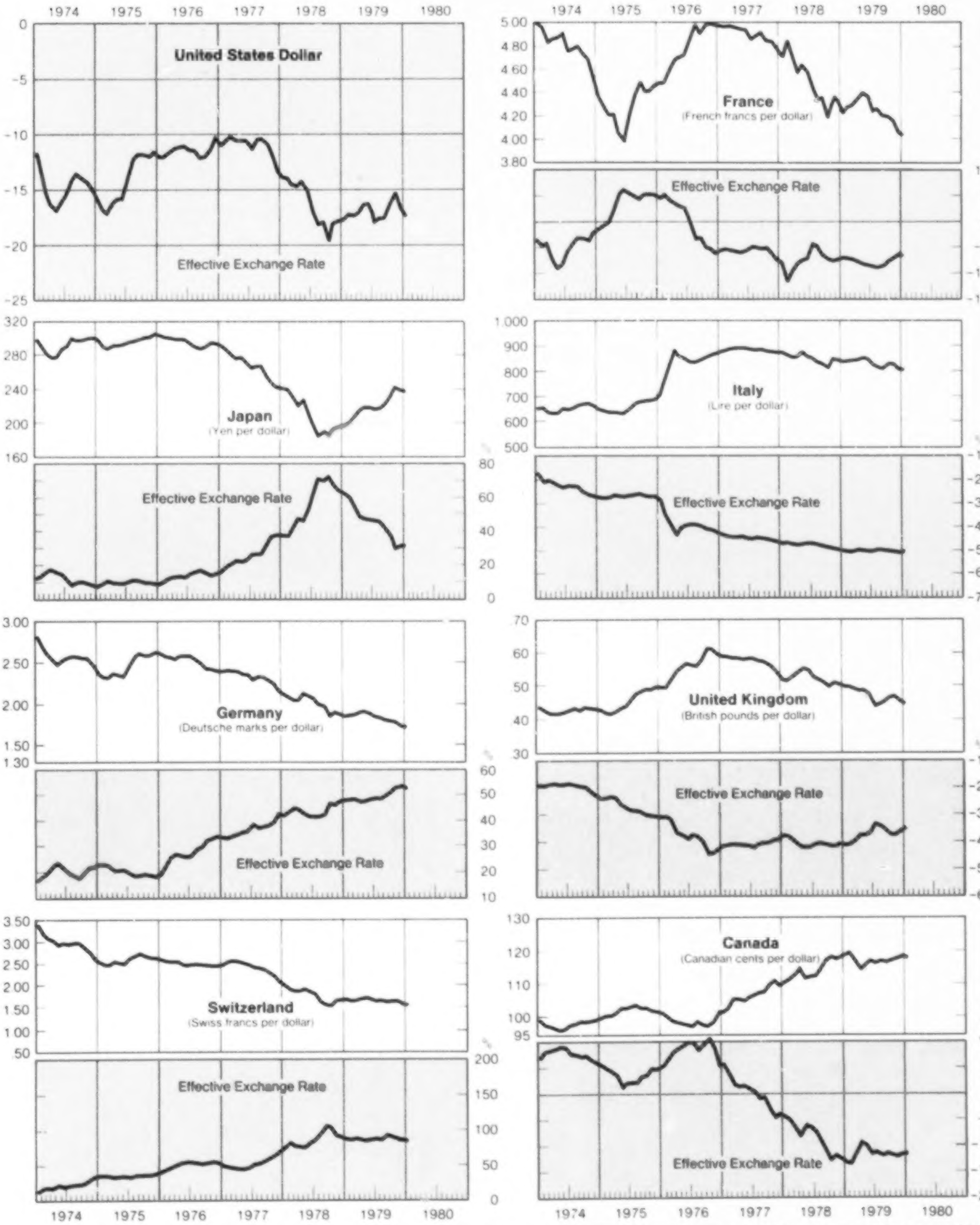
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies weighted according to the average bilateral manufacturers trade of 1976; changes are in present from pre-June 1970 parties based on monthly averages of daily rates

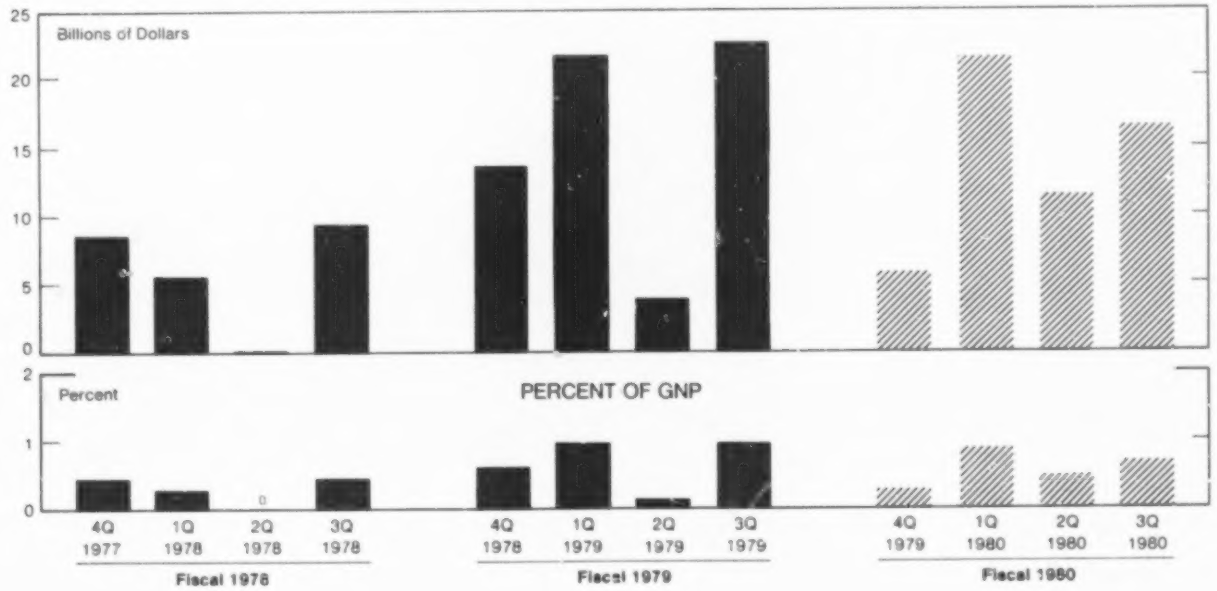
Source: Morgan Guaranty Trust

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

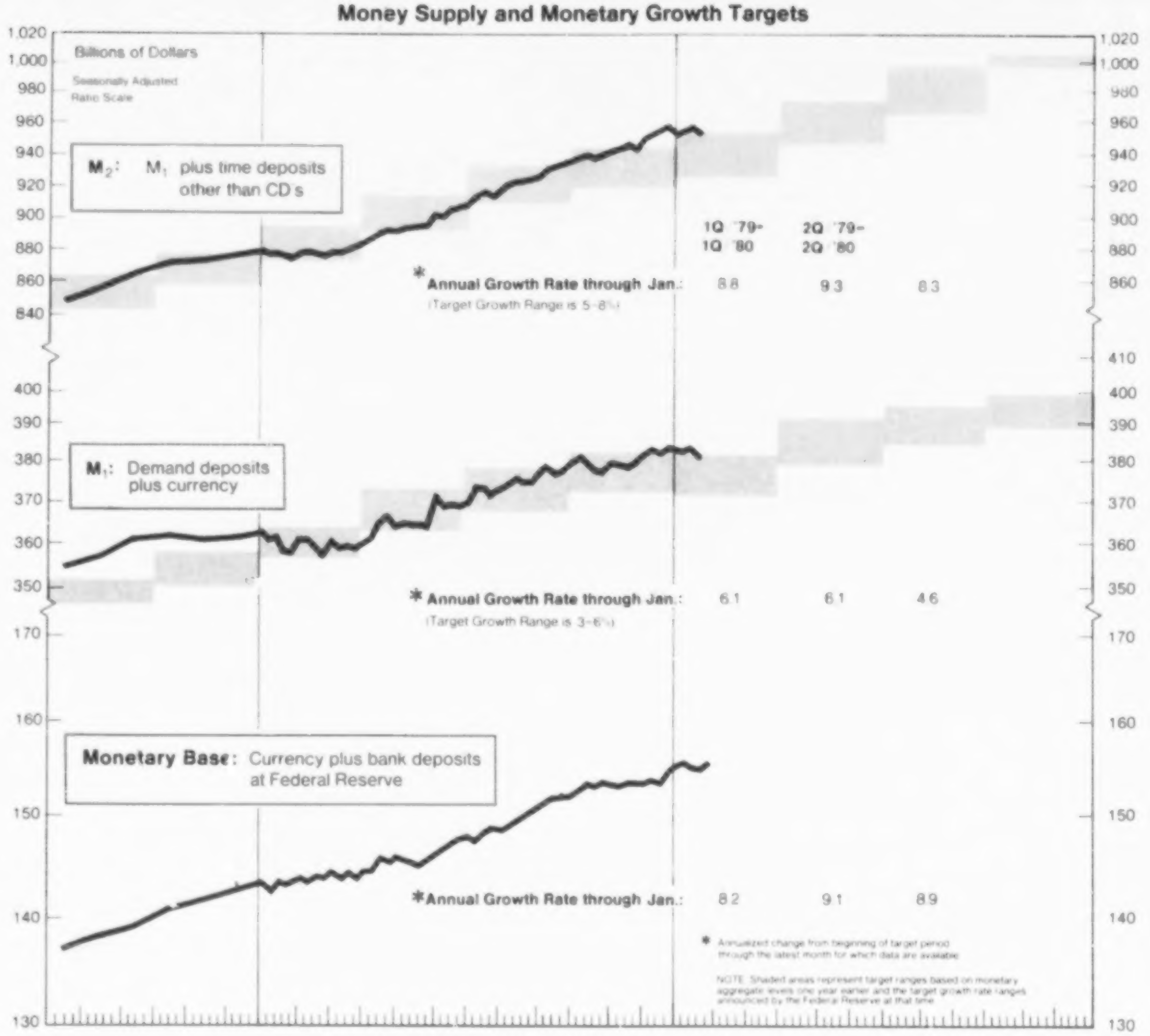
	Fiscal 1979		Fiscal 1980		Fiscal 1981	
	Current Services	Actual	Current Services	Revised President's Proposal	Current Services	Initial Proposal
	(1/23/78)	(1/28/80)	(1/22/79)	(1/28/80)	(1/28/80)	(1/28/80)
Receipts	**$463.8**	**$465.9**	**$504.5**	**$523.8**	**579.0**	**600.0**
Outlays	**492.4**	**493.7**	**536.1**	**563.6**	**612.0**	**615.8**
Deficit	**−28.5**	**−27.7**	**−31.6**	**−39.8**	**−33.0**	**−15.8**
Receipts by source	**463.8**	**465.9**	**504.5**	**523.8**	**579.0**	**600.0**
Individual income taxes	214.0	217.8	229.6	238.7	273.3	274.4
Corporate income taxes	68.8	65.7	71.0	72.3	74.7	71.6
Social insurance	142.5	141.6	161.2	162.2	186.0	187.4
Other receipts	38.5	40.8	42.7	50.6	45.0	66.6
Outlays by function	**492.4**	**493.7**	**536.1**	**563.6**	**612.0**	**615.8**
Income security	159.2	160.2	179.5	190.9	219.9	220.0
National defense	116.8	117.7	125.5	130.4	142.4	146.2
Health	50.3	49.6	55.1	56.6	63.4	62.4
Education and manpower	29.4	29.7	31.0	30.7	32.5	32.0
Veterans' benefits	18.9	19.9	20.4	20.8	21.7	21.7
Transportation	17.1	17.5	18.0	19.6	20.1	20.2
Natural resources and environment	12.0	12.1	11.8	12.8	12.8	12.3
Revenue sharing	9.5	8.4	9.2	8.7	8.5	9.6
International affairs	7.4	6.1	7.9	10.4	9.6	9.6
Community development	8.5	9.5	7.2	8.5	8.5	8.8
Energy	7.6	6.9	8.0	7.8	7.1	8.1
General science	5.1	5.0	5.4	5.9	6.3	6.4
General government	4.2	4.2	4.2	4.9	4.9	4.9
Justice	4.1	4.2	4.3	4.5	4.7	4.7
Agriculture	5.5	6.2	5.0	4.6	3.2	2.8
Commerce and housing credit	3.1	2.6	3.4	5.5	0.8	0.7
Interest	48.7	52.6	57.1	63.3	68.4	67.2
Allowances	1.1	—	2.1	0.1	2.4	2.6
Undistributed offsetting receipts	−16.1	−18.5	−19.0	−22.3	−25.1	−25.2

Sources: Office of Management and Budget; Congressional Budget Office

Fiscal Thrust



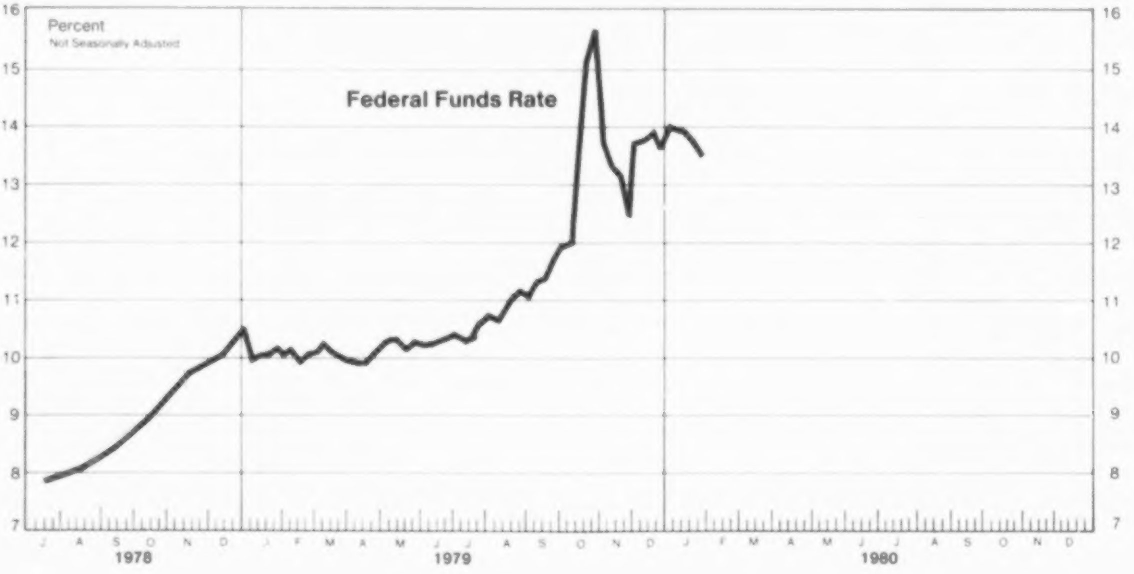
Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy*, Fiscal 1977, No. 2, The Conference Board, New York, 1976.



Money Supply and Monetary Growth Targets

* Annualized change from beginning of target period through the latest month for which data are available

NOTE: Shaded areas represent target ranges based on monetary aggregate levels one year earlier and the target growth rate ranges announced by the Federal Reserve at that time.



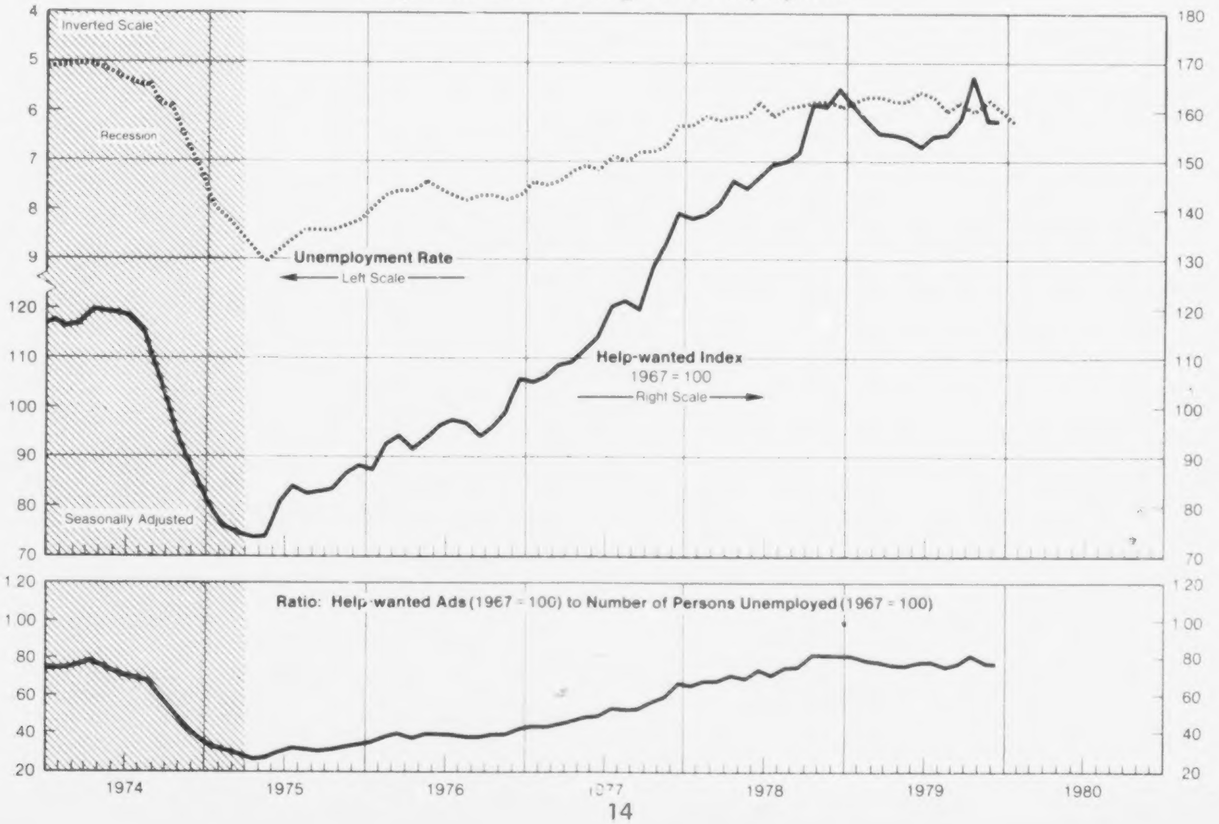
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1979			1978
	Dec.	Nov.	Oct.	Dec.
Total Index 51 papers	158	158`	167	165
New England	150	143r	149	144
Boston	156	149	156	142
Hartford	177	167	171	153
Providence	106	102r	104	145
Middle Atlantic	73	71	75	75
Albany	105	104	117	107
Allentown	141	146	177	172
New York	60	59	61	61
Philadelphia	71	69	70	69
Pittsburgh	104	94	101	110
Rochester	76	83	88	79
Syracuse	105	103	95	104
East North Central	113	111	116	138
Chicago	115	111	115	125
Cincinnati	160	155	166	193
Cleveland	100	100	106	131
Columbus	165	153	155	186
Dayton	94	97	99	114
Detroit	80	76	83	119
Gary	149	163r	153	190
Indianapolis	128	134	137	165
Milwaukee	n.a.	112	122	144
Toledo	131	130	138	170
West North Central	120	129	136	149
Kansas City	150	151	159	195
Minneapolis	164	161	167	164
Omaha	143	151	171	173r
St. Louis	53	78	83	n.a.
South Atlantic	160	166	172	161
Atlanta	250	259	265	242
Baltimore	109	108	114	117
Charlotte	140	139	150	143
Jacksonville	134	132	127	131
Miami	161	173	184	167
Richmond	112	102	103	120
Washington, D. C.	157	172	178	158
East South Central	157	156	159	175
Birmingham	177	182	176	197
Knoxville	228	233	246	233
Louisville	106	98	106	134
Memphis	125	121	131	121
Nashville	194	192	187	225
West South Central	321	311	330	322
Dallas	277	278	303	283
Houston	490	474	481	471
New Orleans	n.a.	187	216	212
Oklahoma City	253	242	249	266
San Antonio	183	182	217	186
Tulsa	n.a.	225	254	280
Mountain	369	374	424	399
Denver	302	296	364	334
Phoenix	422	424	470	404
Salt Lake City	423	456	475	517
Pacific	232	235	248	213
Los Angeles	209	207	219	193
Sacramento	315	325	329	310
San Bernardino	192	193	193	167
San Diego	361	385	419	335
San Francisco	223	230	239	192
Seattle	251	259	275	249
Percentage of papers with rising volume	55%	10%	75% r	69%
Unemployment rate	5.9%	5.8%	6.0%	5.9%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
n.a.—not available r—revised

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100

Monthly beginning July 1977; bimonthly before that date

Consumer Confidence Index

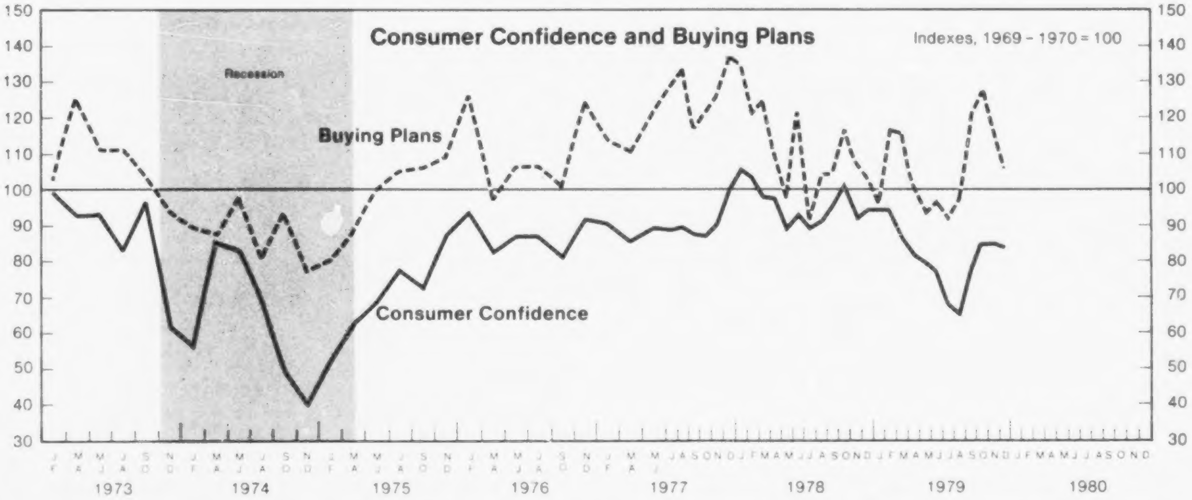
	Jan	Feb	Mar.	Apr	May	June	July	Aug.	Sept	Oct	Nov	Dec
1977	90.3		85.2		89.2		88.7	89.7	87.6	86.9	90.1	99.8
1978	105.2	103.8	97.3	96.9	88.8	92.5	88.8	91.4	95.4	101.4	91.8	94.0
1979	94.0	94.1	85.8	81.5	79.5	76.8	67.1	64.9	76.8	85.1	85.1	83.5r

Buying Plans Index

	Jan	Feb	Mar.	Apr	May	June	July	Aug.	Sept	Oct	Nov	Dec
1977	113.8		110.2		121.8		128.7	133.4	117.7	121.3	124.5	136.9
1978	134.3	120.7	124.3	109.5	97.1	121.7	91.2	104.0	104.2	116.9	106.4	103.1
1979	95.8	116.3	115.6	101.2	93.8	96.2	91.2	98.0	120.3	127.9	116.2	108.3p

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised



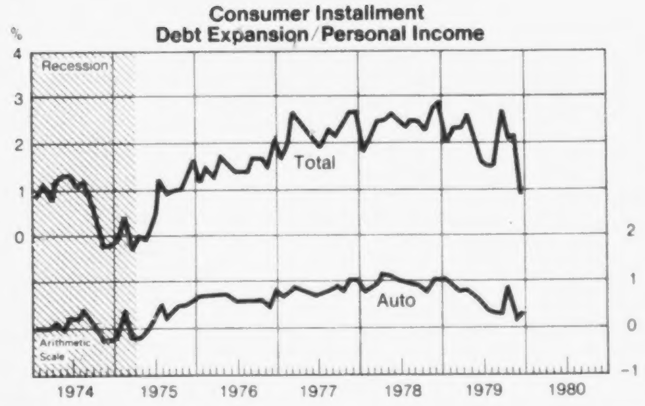
CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

Billions of Dollars; Quarterly Data are Seasonally Adjusted at Annual Rates

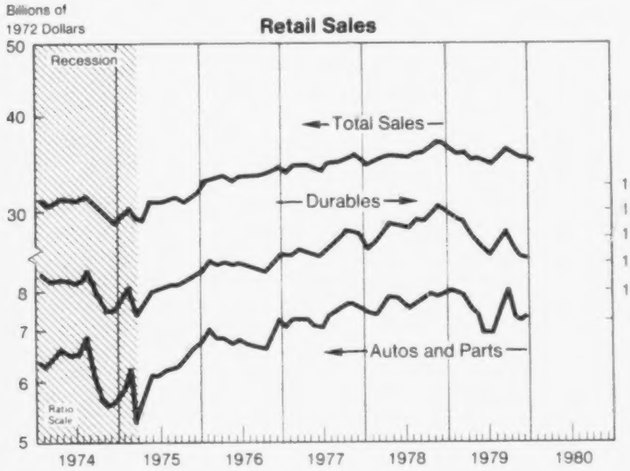
		Aggregate Purchasing Power	Discretionary Purchasing Power	Discretionary Saving	Discretionary Spending	Discretionary Purchasing Power as % of Aggregate	Discretionary Spending as % of Aggregate	Discretionary Spending as % of Discretionary Purchasing Power
1975	I	$1075.2	$399.5	$ 67.5	$332.0	37.2%	30.9%	83.1%
	II	1155.6	469.7	125.2	344.5	40.6	29.8	73.3
	III	1160.5	453.4	125.8	327.6	39.1	28.2	72.3
	IV	1220.9	485.4	118.8	366.6	39.8	30.0	75.5
1976	I	1258.3	499.9	133.5	366.4	39.7	29.1	73.3
	II	1288.1	507.0	120.3	386.7	39.4	30.0	76.3
	III	1308.4	514.5	125.5	389.0	39.3	29.7	75.6
	IV	1343.4	533.7	118.2	415.5	39.7	30.9	77.9
1977	I	1394.3	560.4	139.4	421.0	40.2	30.2	75.1
	IIr	1432.2	583.3	143.2	440.1	40.7	30.7	75.4
	IIIr	1520.5	602.0	171.0	431.0	39.6	28.3	71.6
	IVr	1526.1	624.9	146.1	478.8	40.9	31.4	76.6
1978	Ir	1559.9	648.3	141.4	506.9	41.6	32.5	78.2
	IIr	1633.1	680.8	176.8	504.0	41.7	30.9	74.0
	IIIr	1672.4	693.1	184.2	508.9	41.4	30.4	73.4
	IVr	1701.4	690.9	150.3	540.6	40.6	31.8	78.2
1979	Ip	1746.1	712.2	149.5	562.7	40.8	32.2	79.0

Note: For an explanation of discretionary purchasing power and spending, see Morton Ehrlich, *Discretionary Spending*, (The Conference Board, 1966)

P—Preliminary R—Revised



Consumer Installment Debt Expansion/Personal Income



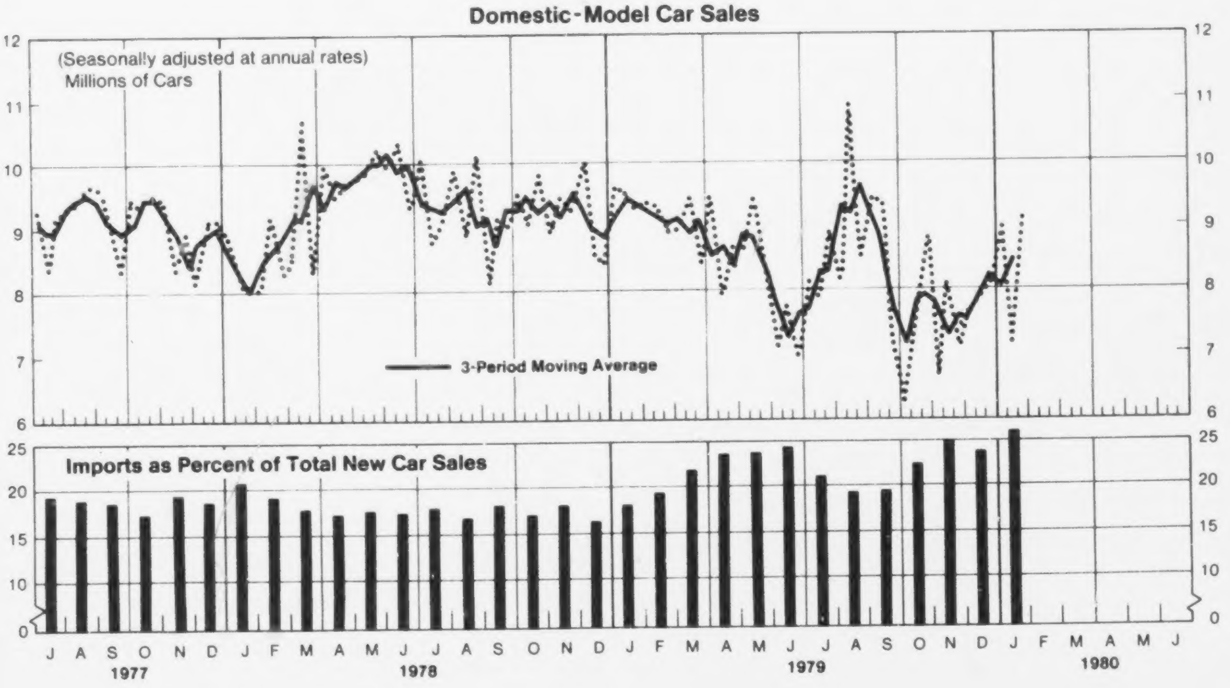
Retail Sales

CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1977	1978	1979	1980
January:	1-10	9.25	8.86	9.60	8.97
	11-20	9.51	8.03	9.55	7.19
	21-31	8.68	8.03	9.11	9.23
February:	1-10	9.83	8.00	9.35	
	11-20	8.20	9.15	9.27	
	21-28(29)	9.10	8.35	8.94	
March:	1-10	9.86	8.49	8.95	
	11-20	7.81	10.62	9.44	
	21-31	9.69	8.32	8.45	
April:	1-10	7.88	9.96	9.41	
	11-20	9.25	9.44	7.90	
	21-30	9.00	9.64	8.61	
May:	1-10	9.21	9.72	8.63	
	11-20	8.84	9.85	9.44	
	21-31	9.04	10.22	8.42	
June:	1-10	9.75	9.94	7.12	
	11-20	9.31	10.38	7.70	
	21-30	9.60	9.36	6.93	
July:	1-10	9.25	10.04	8.16	
	11-20	8.30	8.69	7.87	
	21-31	9.18	9.15	8.94	
August:	1-10	9.26	9.89	8.17	
	11-20	9.38	8.89	10.88	
	21-31	9.62	10.07	8.57	
September:	1-10	9.60	8.14	9.44	
	11-20	9.14	9.07	9.34	
	21-30	8.31	9.02	7.26	
October:	1-10	9.45	9.57	6.24	
	11-20	9.31	9.08	8.04	
	21-31	9.50	9.82	8.64	
November:	1-10	9.46	8.92	6.65	
	11-20	8.34	9.44	8.07	
	21-30	8.91	9.24	7.08	
December:	1-10	8.06	10.00	7.63	
	11-20	9.07	8.57	7.83	
	21-31	9.07	8.41	8.06	

Note: Dealer sales exclude exports and imported foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.



Domestic-Model Car Sales

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STATISTICAL BULLETIN

Volume 13 No. 3, March, 1980

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THE CONFERENCE BOARD

STATISTICAL REFERENCE INDEX
ACQUISITIONS
7101 WISCONSIN AVE., SUITE 900
WASHINGTON, D. C. 20014

comment The pace of economic activity remains sluggish, but it is still strong enough to suggest that the economy is not now in a recession. Retail sales, adjusted for inflation, improved a little in January. Business investment continues to be the most robust sector of the economy, as indicated in the latest data from The Conference Board's *Capital Appropriations and Expenditures* survey. Both industrial production and capacity utilization were slightly higher in February than in January. And the *Economic Forecasts,* in general, no longer point to a recession beginning in the early part of the year. However, the focus of attention has shifted away from the expected path of real activity and toward the inflationary spiral.

The rate of inflation, as measured by the implicit price deflator for GNP, reached a seasonally adjusted 9% annual rate in the fourth quarter of 1979. (The accompanying chart shows that consumer prices rose by 13.6% in that period.) The general view expressed in the *Economic Forecasts* last November showed an expectation that the deflator's rise would slow to about 8% in the first quarter of 1980, as the economy moved into a recession. That, however, has not happened. The pace of activity is stronger and inflation, rather than beginning to slow, has accelerated.

The recent turn of events has dictated a complete new review of monetary and fiscal policy. In November, 1978, in October, 1979, and as recently as January, 1980, economic policy was reviewed with the express objective of unwinding inflation, even at the expense of lower economic growth. A tight-money and high-interest-rate policy was announced in November, 1978. Interest rates had been hiked in October, 1979, and it was announced that policy henceforth would pay closer attention to the supply of money and less to its price (interest rates). Then, in January, 1980, interest rates were raised once more and the proposed federal budget for fiscal 1981 was released. Its economic impact, as indicated on the *Fiscal Thrust* chart, was not expected to be stimulative although, at the time of its proposal, a recession was generally expected to occur. Now, the budget proposal is being extensively revised to trim the deficit, that is, to be even less stimulative. In addition to these policy considerations, voluntary wage and price guidelines have been in effect since November, 1978.

In mid-March, it was announced that the voluntary wage and price guidelines would be strengthened. Further, an import fee was placed on oil. This would immediately add to inflation, but by trimming gasoline consumption would eventually help to reduce it. Also, credit controls have been added to the voluntary wage and price controls. These steps are in addition to the proposed budget review, and still further interest rate hikes. Finally, in recognition of the fact that the inflationary spiral took a long time to develop into its current troublesome condition, some steps were proposed that would help correct it—but only in the long term.

Inflation can be considered a condition of too many dollars chasing too few goods. There are a multitude of factors that result in inflation. But these factors can be categorized as either restraints on production or incentives leading to excessive demand. Cures of inflation can likewise be categorized as measures either to limit demand or to stimulate production. The gasoline tax, trimming the budget, raising interest rates, and placing restraints on credit expansion are all attempts to limit demand.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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THE CONFERENCE BOARD IN CANADA
25 McArthur Road
Ottawa, Ontario, K1L-6R3, Canada

845 Third Avenue
New York, New York 10022

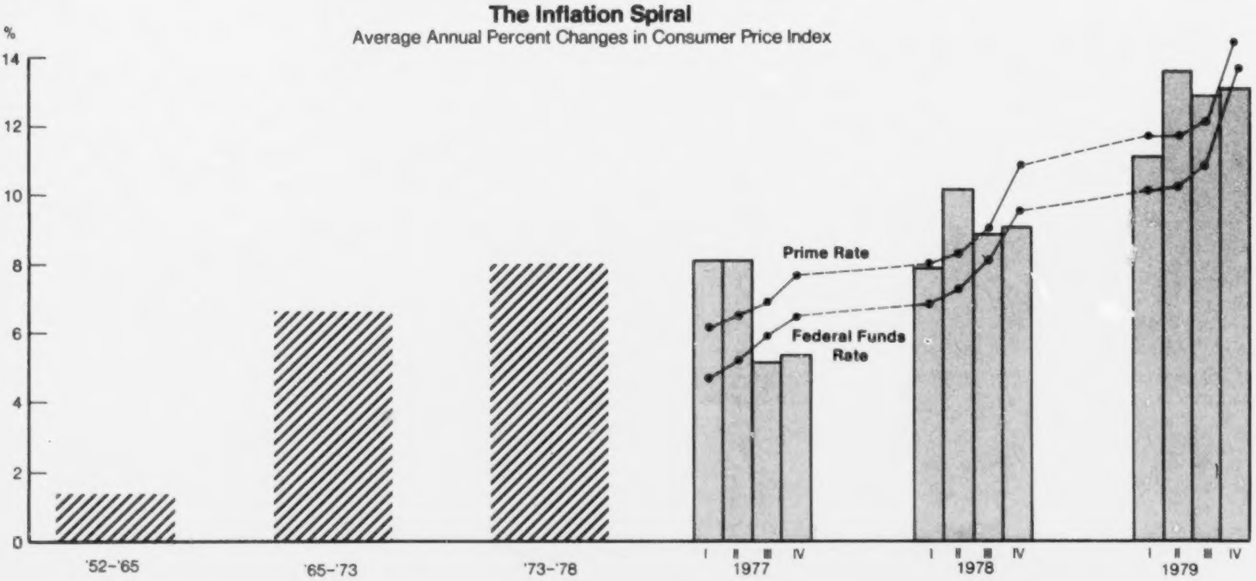
THE CONFERENCE BOARD IN EUROPE
Avenue Louise, 326-Bte 48
B-1050 Brussels, Belgium

Inflation, however, also results from external pressures. Specifically, the increases in oil prices have led some to label the current condition "oil-flation." That part of the inflation due to external pressures will not be dissipated by either a slowdown of economic activity or by the effects of monetary or fiscal policy. Indeed, one reason why the inflationary spiral is proving so difficult to unwind lies in the extent to which the domestic economy is exposed to external influences.

Even before these latest developments none of the *Economic Forecasts* was indicating that the pace of activity would be anything more than sluggish in the first half of 1980. That is to say, that the economy appeared on a collision course—a collision between declining growth in real output and accelerating increases in the prices of that output. The dilemma this condition poses with regard to economic policy formulation is that actions taken to rein in inflation will surely result in slowing the pace of business. Housing starts, one of the weakest sectors of the economy at the moment, will no doubt weaken further as the hikes in the newly split discount rate affect mortgage rates. Conversely, business investment, one of the strongest segments of activity, will undoubtedly lose some strength as the higher interest rates raise the cost of financing new plant and equipment spending.

Likewise, the cost of carrying inventory will rise. The chance, then, that any decline in consumer buying would result in production cutbacks has certainly risen. Although the unemployent rate dropped to 6% in February, The Conference Board's *Help-wanted Index* continued to decline through January. Want-ad volume has been trending downward for some months, indicating reduced efforts to attract new workers. Recent developments only strengthen the case that employment opportunities are indeed diminishing.

Ken Goldstein



The Inflation Spiral

Average Annual Percent Changes in Consumer Price Index

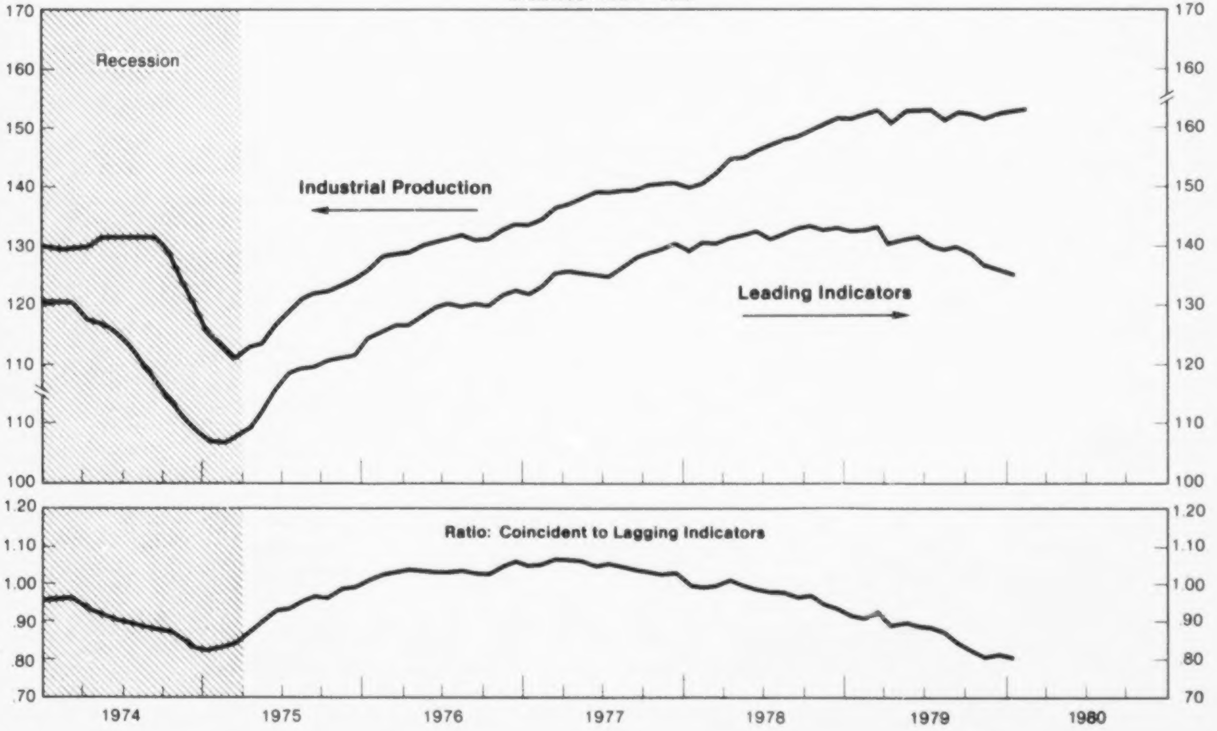
STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Jan.			X	— 2.8%	— 5.3%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Jan.	X			7.8%	— 6.1%
New orders, nondefense capital goods (deflated)	Jan.	X			7.6%	0.4%
*Net business formation	Nov.		X		0.8%	— 1.7%
*Housing permits	Jan.			X	—18.1%	—12.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Jan.		X		— 1.1%	— 9.9%
*Change in inventory, on hand & order (deflated)	Dec.			X	—15.5%	—26.7%
Purchasing agents' buying policy	Feb.		X		— 3.0%	— 7.0%
*Vendor performance, reported slower deliveries	Jan.			X	— 4.0%	—30.0%
Industrial raw materials prices	Feb.	X			5.0%	17.5%
*Change in sensitive prices	Jan.	X			0.3%	1.0%
Sensitive Financial Flows						
*Money balance (M2, deflated)	Jan.			X	— 2.4%	— 4.6%
Change in business loans	Jan.	X			52.0%	29.3%
*Change in liquid assets	Jan.			X	— 0.4%	— 0.4%
Change in consumer installment debt	Dec.			X	—34.8%	—34.2%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			3.8%	9.0%
*Common stock prices	Feb.	X			13.1%	19.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	Jan.		X		0.2 hr	— 0.3 hr
Initial unemployment claims (inverted)	Jan.			X	— 0.2%	—17.1%
*Layoff rate, mfg. (inverted)	Jan.		X		0.2%	0.4%

Note: For historical data of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Business Conditions Digest*, (Washington, D.C.: Government Printing Office, July, 1978, p. 100. For a description of the index, see November, 1975, page VI.

*These twelve series make up the composite leading index charted below.

Economic Indicators
Indexes: 1967=100



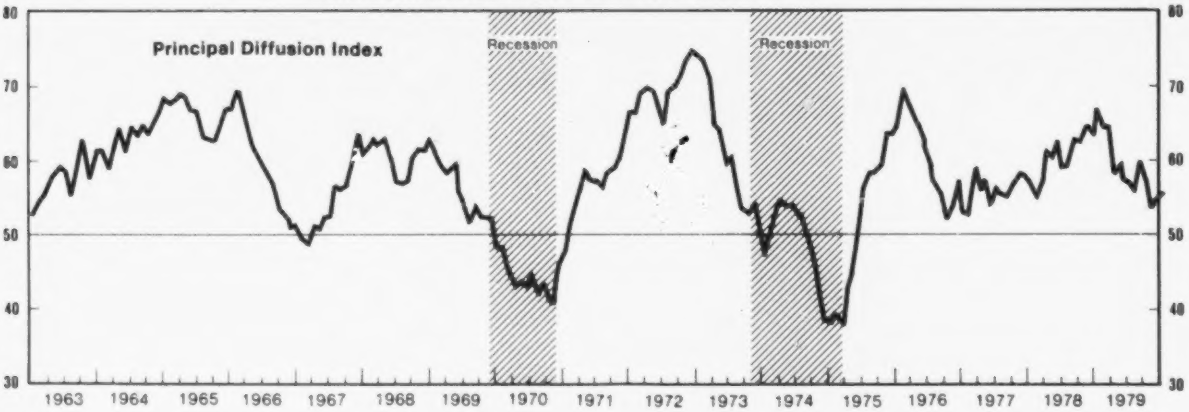
CONFERENCE BOARD DIFFUSION INDEXES

	1979	1980			
DIFFUSION INDEXES	**Jan.**	**Oct.**	**Nov.**	**Dec.**	**Jan.(e)**
Principal Diffusion Index	66.5	57.9r	53.6r	54.5r	55.2
Auxiliary Diffusion Index	47.4	43.8r	35.9r	52.7r	52.5
Industrial Group	65.8	49.9r	45.1r	48.7r	49.2
Nonindustrial Group	67.3	66.0	62.2	60.3r	61.3
Sense of Diffusion	1.0	0	0	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	80.6	54.3r	50.4r	47.4r	50.4
Labor	60.9	49.2	45.0	50.6r	49.9
Miscellaneous	55.8	44.9	37.2	45.5	45.5
Nonindustrial Subgroups					
Prices	71.2	73.1	62.2	67.3	71.8
Consumer	86.3	70.5	69.2	68.4	73.1
Building	57.1	52.6	44.9	38.5r	35.9
Miscellaneous	52.6	65.8	66.7	62.0r	59.4

Note: The principal diffusion index reflects the frequency of upward change in 20 component series over the 12-month period ending in the month indicated. The index is based solely on the direction of change from month to month and not on the magnitude of such changes. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than that of earlier movements. If, for example, ten of the component series had increased and ten had decreased in each of the last twelve months, the current index would register a value of 50. But, because of weighting, the index would be considerably greater than 50, if all the series had increased in each of the last six months and had fallen in each of the first six months of the interval. The index closely coincides with turning points at the peak of a business cycle but tends to lag at troughs. For an explanation of the diffusion indexes and their components, see Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966, pp. 12-15.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1977		*1978*				*1979*				*1980*
	Aug.	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*
	Score (scale 0-100)										
Measure of Business Confidence	59	52	52	58	49	40	43	41	32	32	40
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	62	48	46	60	58	45	47	47	28	29	36
2. Expectations for Economy, Six Months Ahead	56	49	49	54	42	33	36	33	29	29	38
3. Expectations for Own Industry, Six Months Ahead	60	58	59	60	49	43	46	43	39	38	45

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

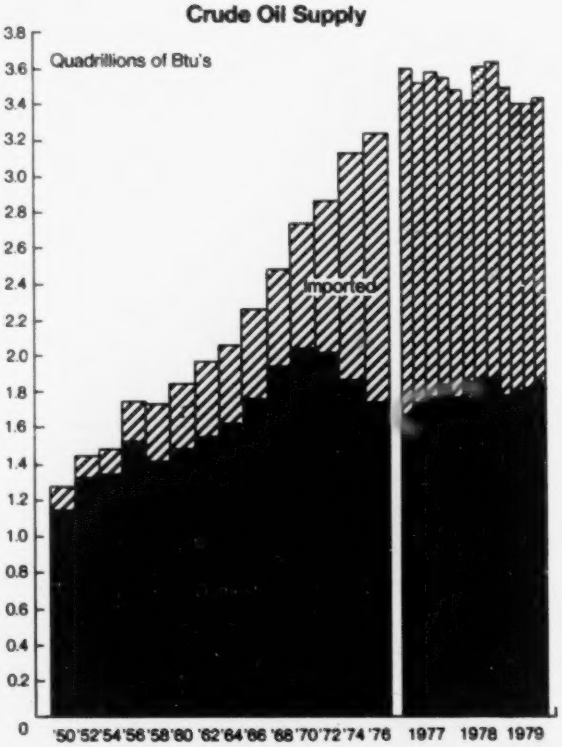
CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

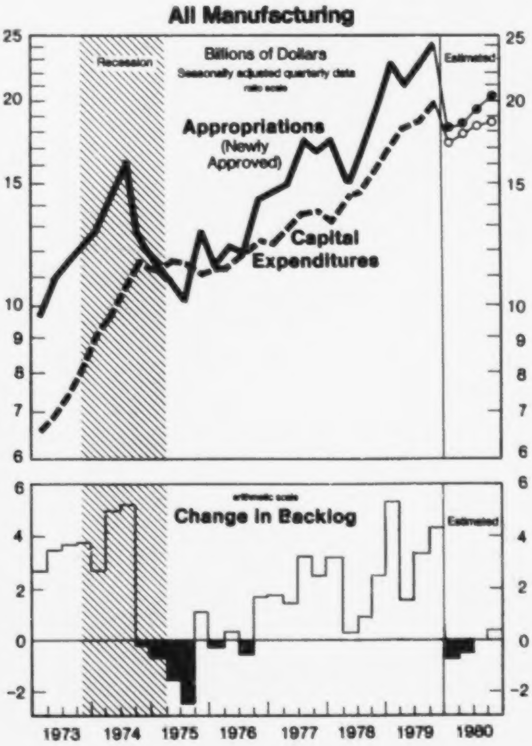
Billions of Dollars, Seasonally Adjusted

	1979			1980				1981			
				PROJECTIONS							
	II	IIIr	IVp	I	II	III	IV	I	II	III	IV
1000 LARGEST MANUFACTURING FIRMS											
Newly approved	21.033	22.552	24.517	18.2	18.6	19.6	20.2	20.7	21.3	21.9	22.3
Capital expenditures	18.027	18.678	20.095	17.3	17.9	18.3	18.6	18.6	18.9	18.9	19.1
Change in appropriations backlog	+ 1.468	+ 3.431	+ 4.269	—0.7	—0.5	0.0	+ 0.3	+ 0.8	+ 1.1	+ 1.7	+ 1.9
Durable Goods											
Newly approved	10.672	10.384	12.153	8.4	8.3	8.3	8.5	8.8	9.1	9.3	9.6
Capital expenditures	8.379	9.126	9.721	8.7	8.6	8.6	8.3	8.1	7.7	7.6	7.5
Change in appropriations backlog	+ 1.970	+ 1.182	+ 2.555								
Nondurable Goods											
Newly approved	10.361	12.168	12.364	9.8	10.2	11.3	11.8	11.9	12.2	12.6	12.7
Capital expenditures	9.648	9.552	10.374	8.7	9.3	9.7	10.2	10.6	11.2	11.3	11.5
Change in appropriations backlog	—0.502	+ 2.249	+ 1.714								
ELECTRIC & GAS UTILITIES											
Appropriations	5.773	12.635									
Capital expenditures	7.120	7.237									
Change in appropriations backlog	—3.944	+ 4.762									

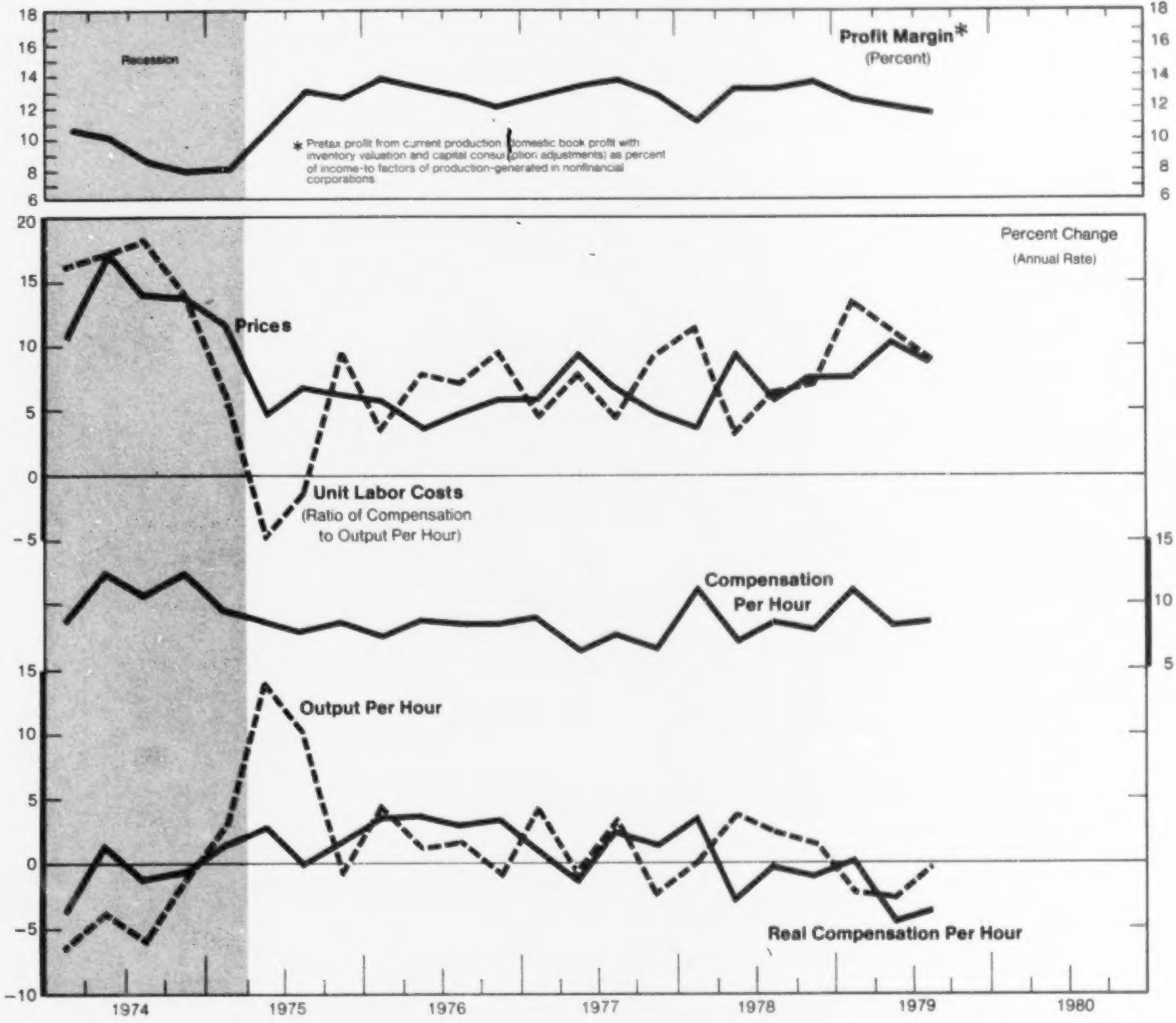
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request. Projections are based on The Conference Board's capital appropriations forecasting model.

r—revised p—preliminary



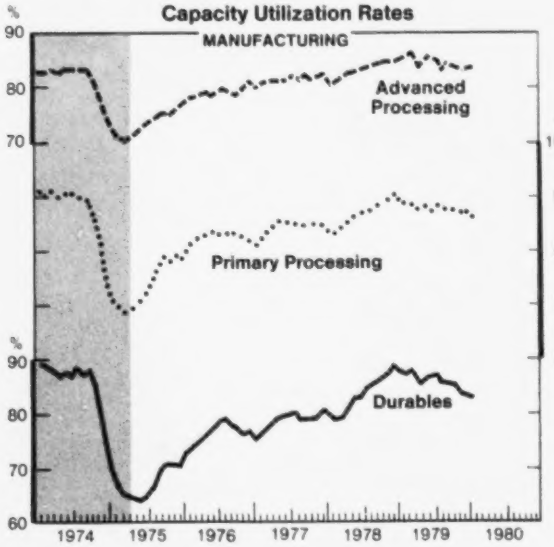


Key Determinants of Profit Margin, Nonfinancial Corporations

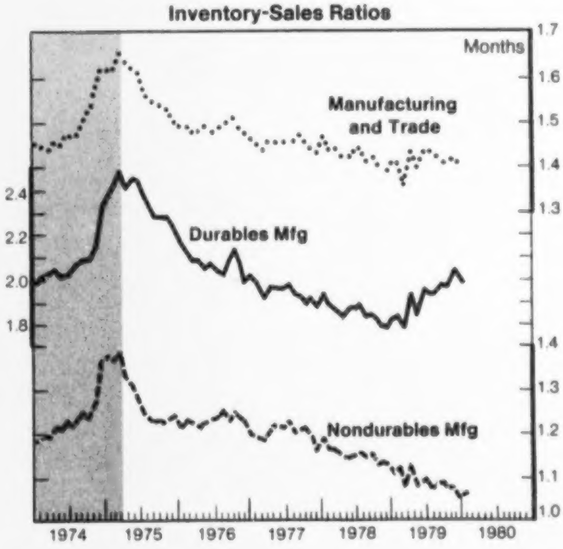


* Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income-to factors of production-generated in nonfinancial corporations.

Capacity Utilization Rates



Inventory-Sales Ratios



Seasonally Adjusted

ECONOMIC FORECASTS

			ASA-NBER Survey of Regular Forecasters[1]		Merrill Lynch Economics Inc.[3]		Kent Economic Institute[3]		Michigan Research Seminar in Quantitative Economics[2]	
Date of Forecast			Feb., 1980		Feb., 1980		Feb., 1980		Nov., 1979	
			Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change
Gross National Product Current Dollars										
Actual	**1979**	**IV**			**$2459.4**	**10.9%**	**$2459.4**	**10.9%**		
Forecast	1980	I	$2515.0	10.0%	2525.6	11.2	2529.5	11.9	$2500.0	8.3%
		II	2551.0	5.8	2555.7	4.9	2605.0	12.5	2543.0	7.1
		III	2599.0	7.7	2590.3	5.5	2696.9	14.9	2589.9	7.6
		IV	2665.0	10.6	2638.2	7.6	2772.9	11.8	2649.4	9.5
	1981	I	2737.0	11.3	2704.2	10.4	2804.8	4.7	2706.8	8.9
		II			2789.8	13.3	2901.6	14.5	2771.1	9.9
		III			2892.5	15.6	3003.3	14.8		
		IV			2996.0	15.1	3104.2	14.1		
	1980	**Annual**	2582.5	9.0	2577.4	8.8	2651.1	11.9	2570.6	8.6
	1981	Annual			2845.6	10.4	2953.5	11.4		
Gross National Product Constant (1972) Dollars										
Actual	**1979**	**IV**			**$1440.7**	**2.1%**	**$1440.7**	**2.1%**		
Forecast	1980	I	$1440.0	0.4%	1443.0	0.8	1440.5	−0.1	$1428.1	−0.9%
		II	1430.0	−2.7	1425.6	−4.7	1443.8	0.9	1424.1	−1.1
		III	1427.0	−0.8	1412.2	−3.7	1451.5	2.2	1422.8	−0.3
		IV	1431.0	1.1	1408.3	−1.1	1459.1	2.1	1425.8	0.8
	1981	I	1438.0	2.0	1416.1	2.2	1465.4	1.7	1428.9	0.9
		II			1434.0	5.2	1481.9	4.6	1434.9	1.7
		III			1457.1	6.6	1495.1	3.6		
		IV			1477.3	5.7	1506.9	3.2		
	1980	**Annual**	1432.0	0.1	1422.3	−0.7	1448.7	1.2	1425.2	−0.3
	1981	Annual			1446.1	1.7	1487.3	2.7		
Gross National Product Deflator Index, 1972 = 100										
Actual	**1979**	**IV**			**170.7**	**8.7%**	**170.7**	**8.7%**		
Forecast	1980	I	174.8	10.0%	175.0	10.5	175.6	12.0	175.1	9.3%
		II	178.6	9.0	179.3	10.1	180.4	11.5	178.6	8.3
		III	182.5	9.0	183.4	9.6	185.8	12.5	182.0	8.0
		IV	186.0	7.9	187.3	8.8	190.0	9.4	185.8	8.6
	1981	I	190.0	8.9	191.0	8.0	191.4	2.9	189.4	8.0
		II			194.5	7.7	195.8	9.5	193.1	8.0
		III			198.5	8.4	200.9	10.8		
		IV			202.8	8.9	206.0	10.6		
	1980	**Annual**	180.5	9.1	181.3	9.5	183.0	10.6	180.4	8.9
	1981	Annual			196.7	8.5	198.5	8.5		
Unemployment Rate										
Actual	**1979**	**IV**			5.9%		5.9%			
Forecast	1980	I	6.3%		6.2		6.3		6.4%	
		II	6.6		6.9		6.3		6.9	
		III	7.0		7.7		6.2		7.3	
		IV	7.1		8.2		6.3		7.6	
	1981	I	7.2		8.5		6.4		7.9	
		II			8.4		6.2		8.1	
		III			8.0		6.2			
		IV			7.7		6.2			
	1980	**Annual**	6.7		7.2		6.3		7.1	
	1981	Annual			8.1		6.2			

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary fourth quarter data.

[2] Based on preliminary third quarter data

[3] Based on revised (first revision) fourth quarter data.

ECONOMIC FORECASTS (continued)

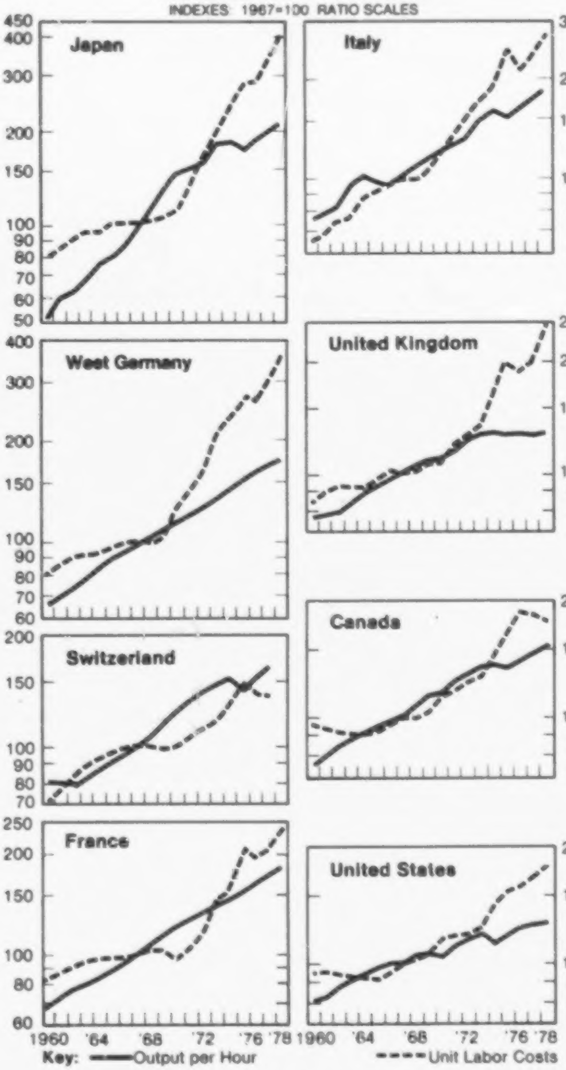
The Conference Board[1]		Chase Econometric Associates, Inc.[3]		Data Resources Inc.[3]		Wharton E.F.A. Inc.[3]				
Jan., 1980		Feb., 1980		Feb., 1980		Feb., 1980				
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Current Dollars		
		$2459.4	**10.9%**	**$2459.4**	**10.9%**	**$2459.4**	**10.9%**	**IV**	**1979**	**Actual**
$2518.0	**10.5%**	2511.3	**8.7**	2527.7	**11.6**	2527.3	**11.5**	I	1980	Forecast
2581.0	**10.4**	2537.6	**4.3**	2578.1	**8.2**	2573.2	**7.5**	II		
2665.0	**13.7**	2551.3	**2.2**	2618.5	**6.4**	2619.0	**7.3**	III		
2740.0	**11.7**	2625.6	**12.2**	2680.5	**9.8**	2677.1	**9.2**	IV		
2813.0	**11.1**	2709.4	**13.4**	2757.7	**12.0**	2754.9	**12.1**	I	1981	
2888.0	**11.1**	2798.8	**13.9**	2844.0	**13.1**	2827.1	**10.9**	II		
2952.0	**9.2**	2877.4	**11.7**	2941.9	**14.5**	2902.7	**11.1**	III		
3017.0	**9.1**	2970.9	**13.6**	3048.2	**15.3**	2980.9	**11.2**	IV		
2626.0	**10.9**	**2556.4**	**7.9**	**2601.2**	**9.8**	**2599.1**	**9.7**	**Annual**	**1980**	
2917.5	**11.1**	2839.1	**11.1**	2897.9	**11.4**	2866.4	**10.3**	Annual	1981	
								Gross National Product Constant (1972) Dollars		
		$1440.7	**2.1%**	**$1440.7**	**2.1%**	**$1440.7**	**2.1%**	**IV**	**1979**	**Actual**
$1442.0	**1.0%**	1439.0	**—0.5**	1446.4	**1.6**	1446.7	**1.7**	I	1980	Forecast
1448.4	**1.8**	1419.3	**—5.4**	1438.9	**—2.1**	1442.2	**—1.2**	II		
1464.4	**4.5**	1402.7	**—4.6**	1426.9	**—3.3**	1438.4	**—1.0**	III		
1476.0	**3.2**	1412.6	**2.9**	1425.1	**—0.5**	1437.9	**—0.1**	IV		
1487.1	**3.0**	1425.2	**3.6**	1433.0	**2.2**	1447.2	**2.6**	I	1981	
1498.3	**3.0**	1436.7	**3.3**	1445.3	**3.5**	1455.9	**2.4**	II		
1504.1	**1.6**	1448.1	**3.2**	1462.4	**4.8**	1466.3	**2.9**	III		
1509.6	**1.5**	1460.6	**3.5**	1479.8	**4.8**	1475.4	**2.5**	IV		
1457.7	**1.9**	**1418.4**	**—0.9**	**1434.3**	**0.2**	**1441.3**	**0.7**	**Annual**	**1980**	
1499.8	**2.9**	1442.6	**1.7**	1455.1	**1.5**	1461.2	**1.4**	Annual	1981	
								Gross National Product Deflator Index, 1972 = 100		
		170.7	**8.7%**	**170.7**	**8.7%**	**170.7**	**8.7%**	**IV**	**1979**	**Actual**
174.6	**9.4%**	174.5	**9.2**	174.8	**9.8**	174.7	**9.7**	I	1980	Forecast
178.2	**8.5**	178.8	**10.2**	179.2	**10.5**	178.4	**8.8**	II		
182.0	**8.8**	181.9	**7.1**	183.5	**10.0**	182.1	**8.5**	III		
185.6	**8.3**	185.9	**9.1**	188.1	**10.4**	186.2	**9.3**	IV		
189.2	**7.8**	190.1	**9.4**	192.4	**9.6**	190.4	**9.3**	I	1981	
192.8	**7.8**	194.8	**10.3**	196.8	**9.3**	194.2	**8.3**	II		
196.3	**7.5**	198.7	**8.2**	201.2	**9.2**	198.0	**8.0**	III		
199.9	**7.5**	203.4	**9.8**	206.0	**9.9**	202.0	**8.5**	IV		
180.1	**8.8**	**180.3**	**8.9**	**181.4**	**9.8**	**180.3**	**9.0**	**Annual**	**1980**	
194.5	**8.0**	196.8	**9.1**	199.1	**9.8**	196.1	**8.8**	Annual	1981	
								Unemployment Rate		
		5.9%		**5.9%**		**5.9%**		**IV**	**1979**	**Actual**
6.3%		6.3		6.2		6.3		I	1980	Forecast
6.6		6.8		6.5		6.5		II		
6.5		7.4		6.8		7.0		III		
6.4		7.9		7.1		7.4		IV		
6.3		8.0		7.4		7.4		I	1981	
6.2		8.0		7.4		7.5		II		
6.2		7.9		7.4		7.5		III		
6.2		7.7		7.3		7.5		IV		
6.4		**7.1**		**6.6**		**6.8**		**Annual**	**1980**	
6.2		7.9		7.4		7.5		Annual	1981	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

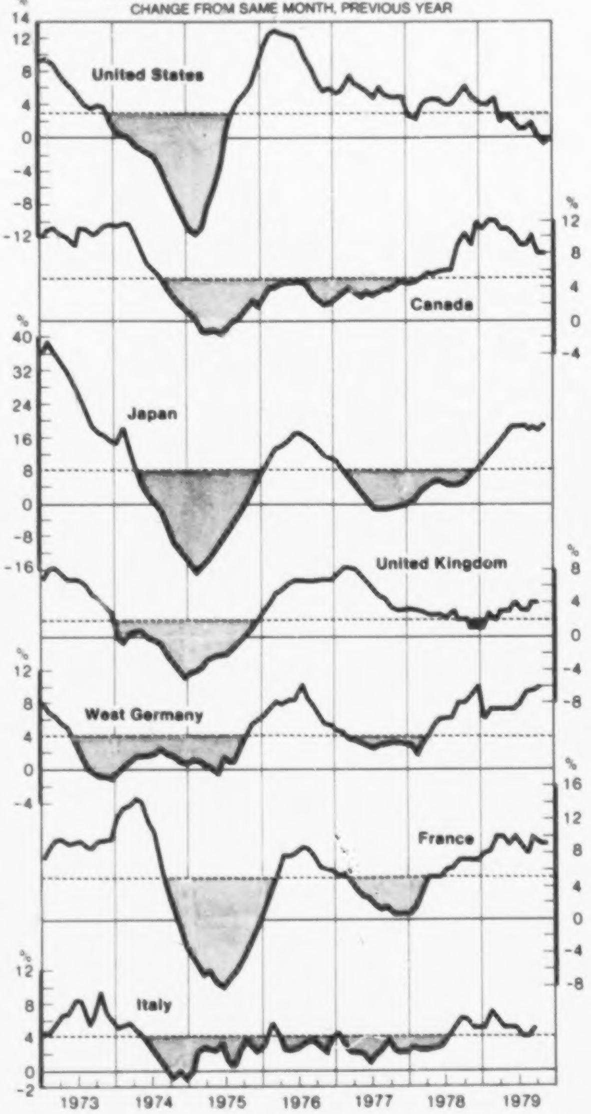
PRODUCTIVITY AND COSTS

INDEXES: 1967=100 RATIO SCALES

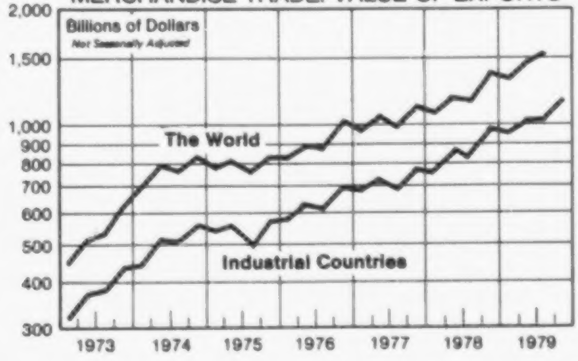


LEADING BUSINESS CYCLE INDEXES

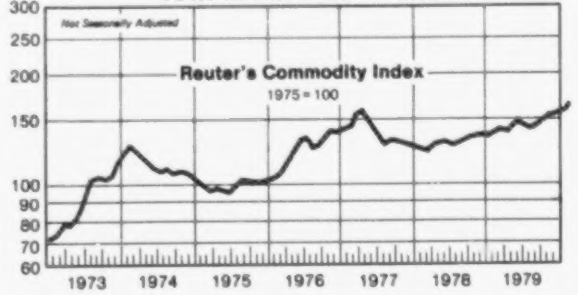
CHANGE FROM SAME MONTH, PREVIOUS YEAR



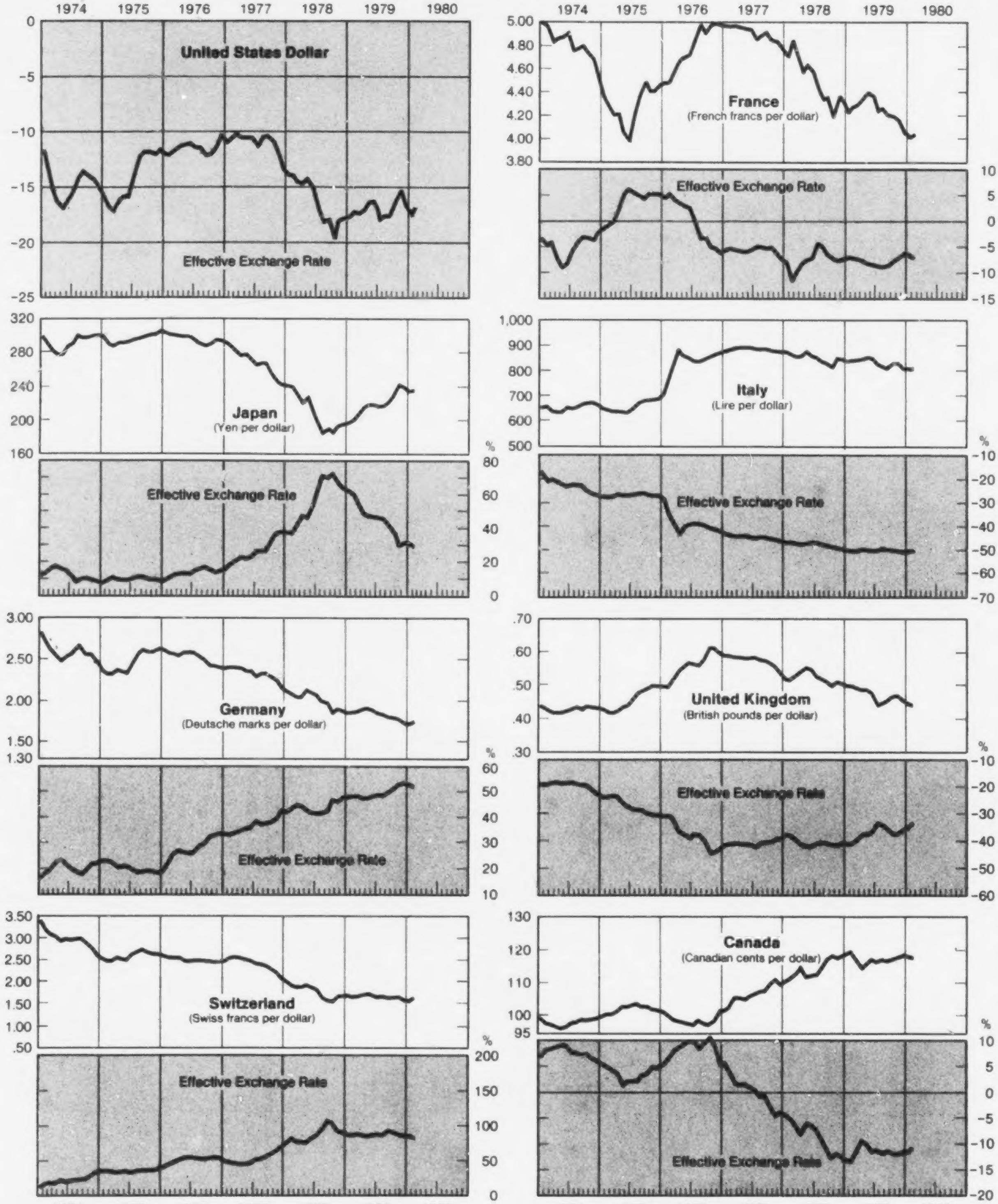
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies weighted according to the average bilateral manufactures trade of 1976; changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

Source: Morgan Guaranty Trust.

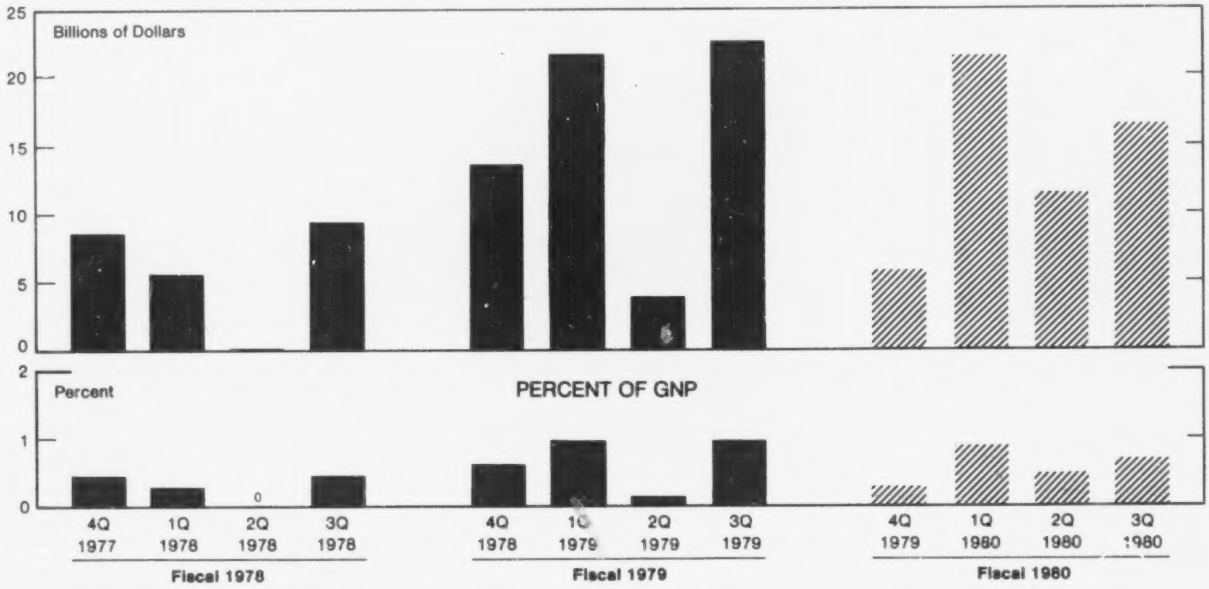
PERSPECTIVE ON THE FEDERAL BUDGET

($ Billions)

	Fiscal 1979		Fiscal 1980		Fiscal 1981	
	Current Services	Actual	Current Services	Revised President's Proposal	Current Services	Initial Proposal
	(1/23/78)	(1/28/80)	(1/22/79)	(1/28/80)	(1/28/80)	(1/28/80)
Receipts	**$463.8**	**$465.9**	**$504.5**	**$523.8**	**579.0**	**600.0**
Outlays	**492.4**	**493.7**	**536.1**	**563.6**	**612.0**	**615.8**
Deficit	**−28.5**	**−27.7**	**−31.6**	**−39.8**	**−33.0**	**−15.8**
Receipts by source	**463.8**	**465.9**	**504.5**	**523.8**	**579.0**	**600.0**
Individual income taxes	214.0	217.8	229.6	238.7	273.3	274.4
Corporate income taxes	68.8	65.7	71.0	72.3	74.7	71.6
Social insurance	142.5	141.6	161.2	162.2	186.0	187.4
Other receipts	38.5	40.8	42.7	50.6	45.0	66.6
Outlays by function	**492.4**	**493.7**	**536.1**	**563.6**	**612.0**	**615.8**
Income security	159.2	160.2	179.5	190.9	219.9	220.0
National defense	116.8	117.7	125.5	130.4	142.4	146.2
Health	50.3	49.6	55.1	56.6	63.4	62.4
Education and manpower	29.4	29.7	31.0	30.7	32.5	32.0
Veterans' benefits	18.9	19.9	20.4	20.8	21.7	21.7
Transportation	17.1	17.5	18.0	19.6	20.1	20.2
Natural resources and environment	12.0	12.1	11.8	12.8	12.8	12.8
Revenue sharing	9.5	8.4	9.2	8.7	8.5	9.6
International affairs	7.4	6.1	7.9	10.4	9.6	9.6
Community development	8.5	9.5	7.2	8.5	8.5	8.8
Energy	7.6	6.9	8.0	7.8	7.1	8.1
General science	5.1	5.0	5.4	5.9	6.3	6.4
General government	4.2	4.2	4.2	4.9	4.9	4.9
Justice	4.1	4.2	4.3	4.5	4.7	4.7
Agriculture	5.5	6.2	5.0	4.6	3.2	2.8
Commerce and housing credit	3.1	2.6	3.4	5.5	0.8	0.7
Interest	48.7	52.6	57.1	63.3	68.4	67.2
Allowances	1.1	—	2.1	0.1	2.4	2.6
Undistributed offsetting receipts	−16.1	−18.5	−19.0	−22.3	−25.1	−25.2

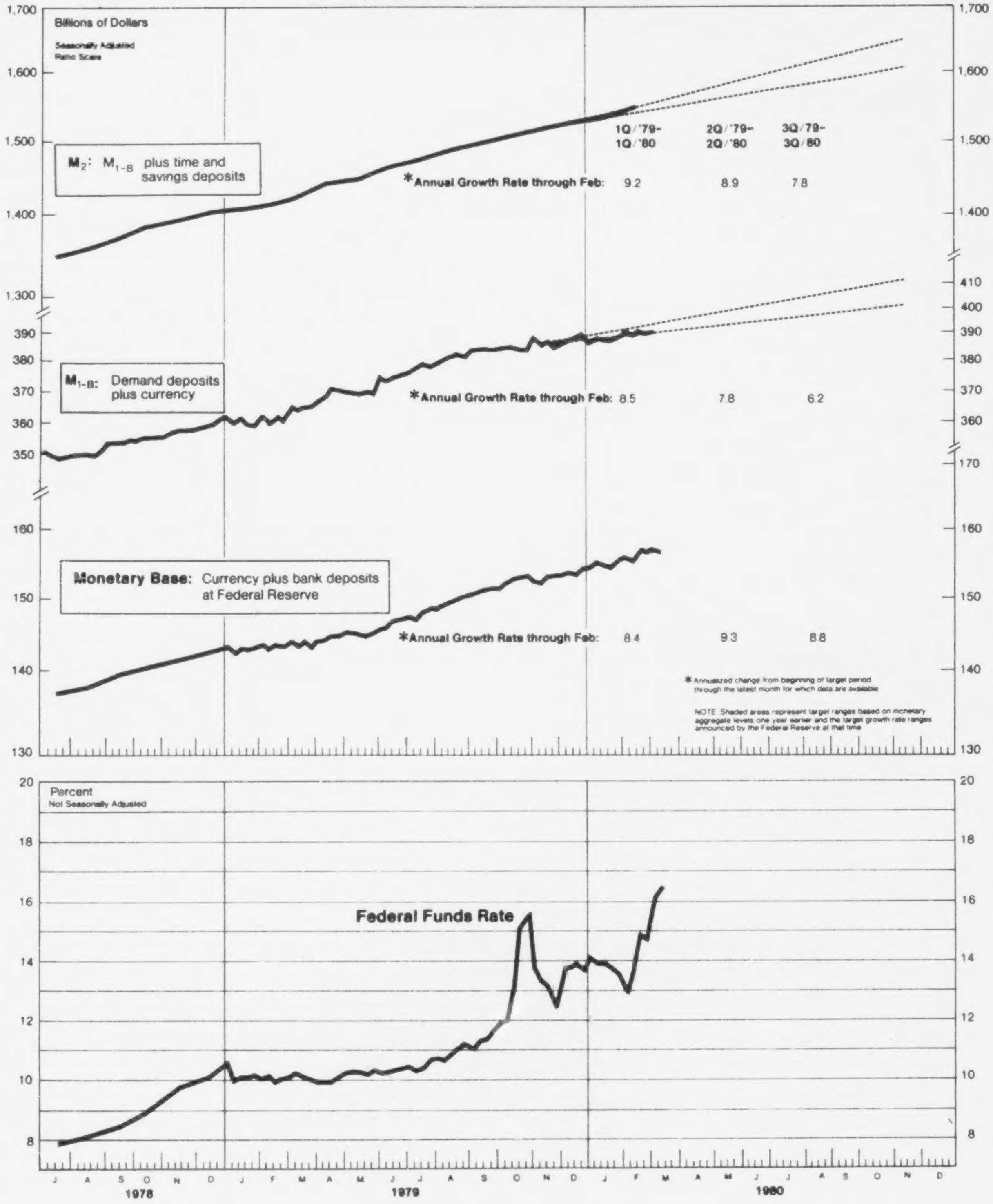
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy*, Fiscal 1977, No. 2, The Conference Board, New York: 1976

Money Supply and Monetary Growth Targets



* Annualized change from beginning of target period through the latest month for which data are available

NOTE Shaded areas represent target ranges based on monetary aggregate levels one year earlier and the target growth rate ranges announced by the Federal Reserve at that time

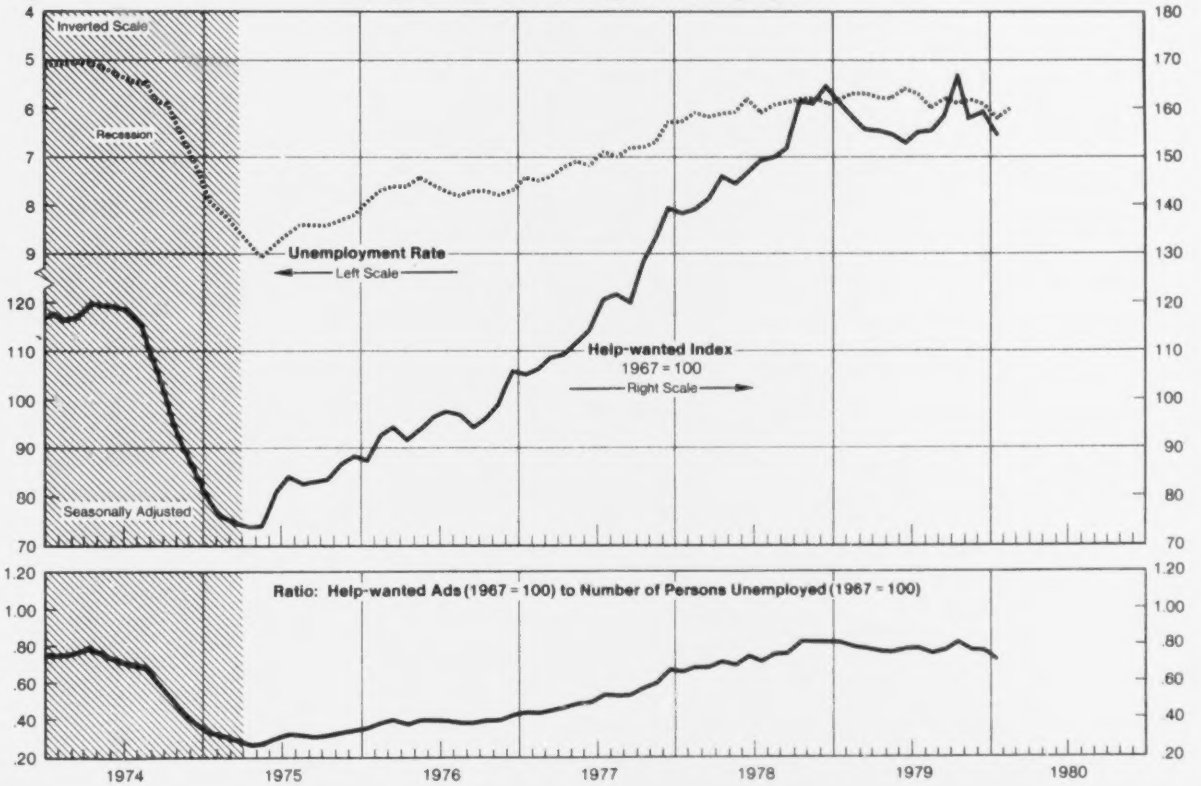
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1980	1979		
	Jan.	Dec.	Nov.	Jan.
Total Index **51 papers**	154	159r	158	161
New England	142	150	143	141
Boston	147	156	149	144
Hartford	168	177	167	160
Providence	99	106	102	111
Middle Atlantic	72	73	71	73
Albany	108	105	104	104
Allentown	179	141	146	168
New York	59	60	59	59
Philadelphia	65	71	69	67
Pittsburgh	100	104	94	107
Rochester	74	76	83	80
Syracuse	93	105	103	95
East North Central	104	114r	111	126
Chicago	103	115	111	109
Cincinnati	143	160	155	177
Cleveland	94	100	100	129
Columbus	155	165	153	182
Dayton	89	94	97	108
Detroit	74	80	76	108
Gary	135	149	163	178
Indianapolis	121	128	134	149
Milwaukee	98	122r	112	124
Toledo	129	131	130	166
West North Central	121	129r	129	145
Kansas City	143	150	151	173
Minneapolis	146	164	161	155
Omaha	141	143	151	188
St. Louis	76	78r	78	106
South Atlantic	160	163r	166	159
Atlanta	245	250	259	247
Baltimore	106	109	108	110
Charlotte	145	140	139	153
Jacksonville	131	134	132	128
Miami	167	161	173	161
Richmond	109	112	102	115
Washington, D.C.	161	169r	172	153
East South Central	152	157	156	169
Birmingham	n.a.	177	182	205
Knoxville	226	228	233	230
Louisville	95	106	98	114
Memphis	132	125	121	121
Nashville	177	194	192	216
West South Central	311	321	311	312
Dallas	274	277	278	290
Houston	464	490	474	460
New Orleans	194	195r	187	200
Oklahoma City	240	253	242	234
San Antonio	189	183	182	186
Tulsa	262	n.a.	225	243
Mountain	356	369	374	392
Denver	297	302	296	337
Phoenix	404	422	424	405
Salt Lake City	402	423	456	481
Pacific	233	232	235	221
Los Angeles	211	209	207	197
Sacramento	313	315	325	318
San Bernardino	182	192	193	185
San Diego	369	361	385	349
San Francisco	225	223	230	204
Seattle	253	251	259	260
Percentage of papers with rising volume	20%	55%	10%	35%
Unemployment rate	6.2%	5.9%	5.8%	5.8%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



REVISED

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

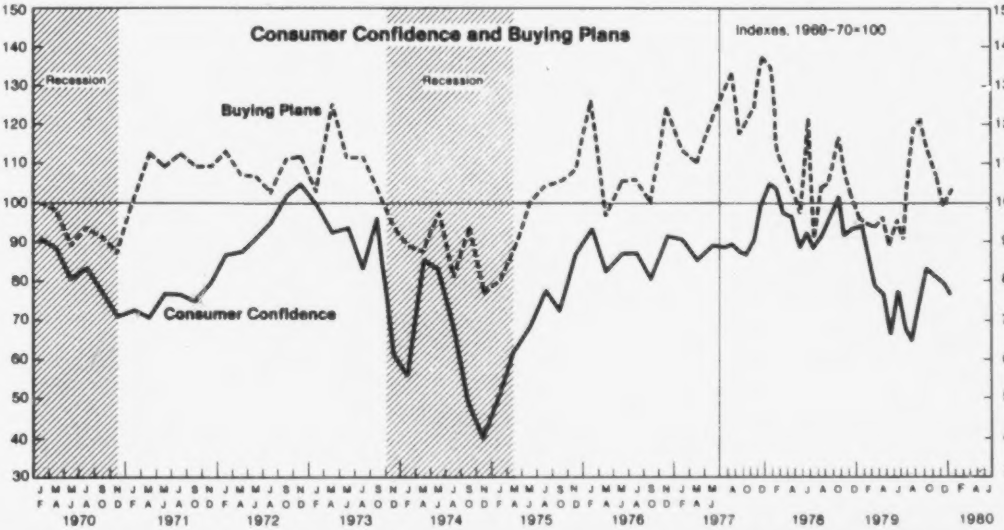
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1978	105.2	103.8	97.3	96.9	88.8	92.5	88.8	91.4	95.4	101.4	91.8	94.0
1979	91.7	91.4	84.9	82.2	80.8	78.5	70.0	69.0	78.2	83.6	83.0	80.8
1980	79.1	76.7p										

Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1978	134.3	120.7	124.3	109.5	97.1	121.7	91.2	104.0	104.2	116.9	106.4	103.1
1979	95.1	115.4	114.4	100.6	95.4	99.6	94.6	101.7	119.4	121.9	113.4	107.2
1980	99.2	103.5p										

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

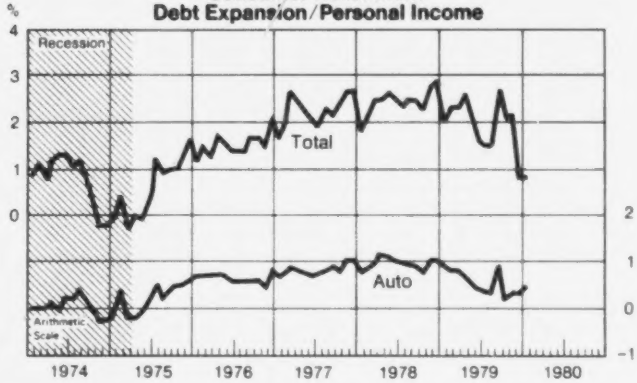
Billions of Dollars; Quarterly Data are Seasonally Adjusted at Annual Rates

		Aggregate Purchasing Power	Discretionary Purchasing Power	Discretionary Saving	Discretionary Spending	Discretionary Purchasing Power as % of Aggregate	Discretionary Spending as % of Aggregate	Discretionary Spending as % of Discretionary Purchasing Power
1975	I	$1075.2	$399.5	$ 67.5	$332.0	37.2%	30.9%	83.1%
	II	1155.6	469.7	125.2	344.5	40.6	29.8	73.3
	III	1160.5	453.4	125.8	327.6	39.1	28.2	72.3
	IV	1220.9	485.4	118.8	366.6	39.8	30.0	75.5
1976	I	1258.3	499.9	133.5	366.4	39.7	29.1	73.3
	II	1288.1	507.0	120.3	386.7	39.4	30.0	76.3
	III	1308.4	514.5	125.5	389.0	39.3	29.7	75.6
	IV	1343.4	533.7	[illegible]	415.5	39.7	30.9	77.9
1977	I	1394.3	560.4	139.4	421.0	40.2	30.2	75.1
	IIr	1432.2	583.3	143.2	440.1	40.7	30.7	75.4
	IIIr	1520.5	602.0	171.0	431.0	39.6	28.3	71.6
	IVr	1526.1	624.9	146.1	478.8	40.9	31.4	76.6
1978	Ir	1559.9	648.3	141.4	506.9	41.6	32.5	78.2
	IIr	1633.1	680.8	176.8	504.0	41.7	30.9	74.0
	IIIr	1672.4	693.1	184.2	508.9	41.4	30.4	73.4
	IVr	1701.4	690.9	150.3	540.6	40.6	31.8	78.2
1979	Ip	1746.1	712.2	149.5	562.7	40.8	32.2	79.0

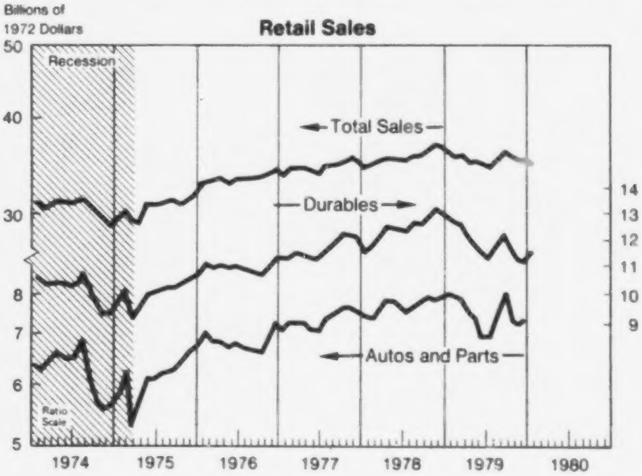
Note: For an explanation of discretionary purchasing power and spending, see Morton Ehrlich, *Discretionary Spending*, (The Conference Board, 1966).

P—Preliminary R—Revised

Consumer Installment Debt Expansion/Personal Income



Retail Sales



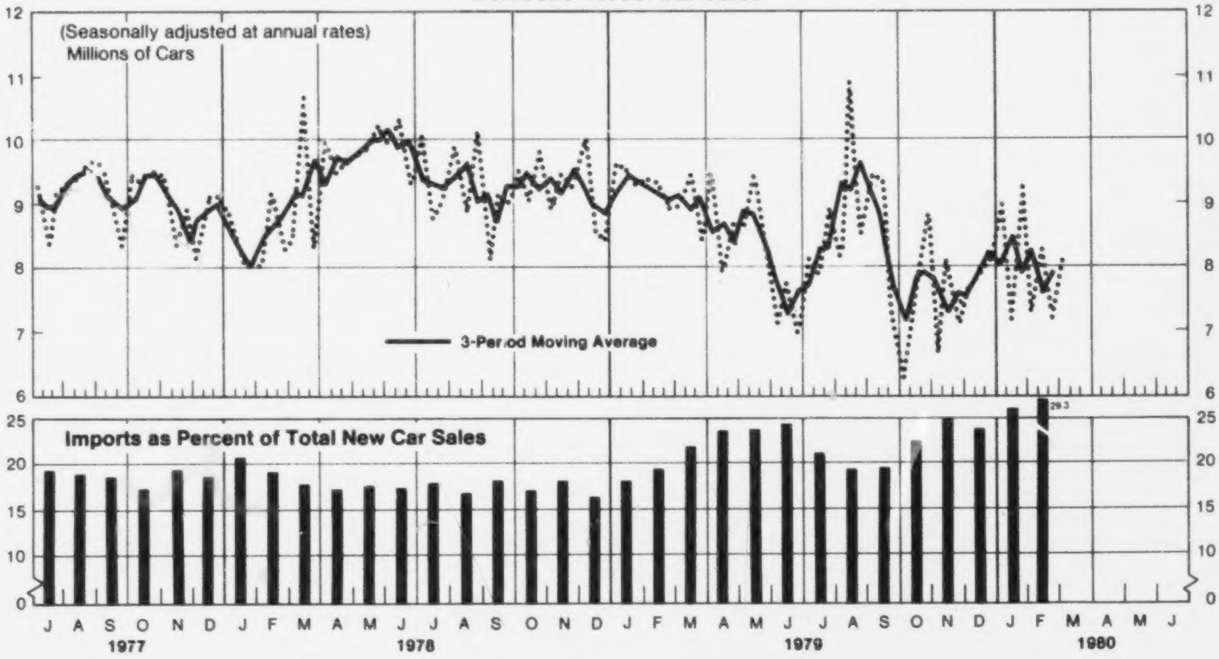
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1977	1978	1979	1980
January:	1-10	9.25	8.86	9.60	8.97
	11-20	9.51	8.03	9.55	7.19
	21-31	8.68	8.03	9.11	9.23
February:	1-10	9.83	8.00	9.35	7.28
	11-20	8.20	9.15	9.27	8.28
	21-28(29)	9.10	8.35	8.94	7.20
March:	1-10	9.86	8.49	8.95	8.10
	11-20	7.81	10.62	9.44	
	21-31	9.69	8.32	8.45	
April:	1-10	7.88	9.96	9.41	
	11-20	9.25	9.44	7.90	
	21-30	9.00	9.64	8.61	
May:	1-10	9.21	9.72	8.63	
	11-20	8.84	9.85	9.44	
	21-31	9.04	10.22	8.42	
June:	1-10	9.75	9.94	7.12	
	11-20	9.31	10.38	7.70	
	21-30	9.60	9.36	6.93	
July:	1-10	9.25	10.04	8.16	
	11-20	8.30	8.69	7.87	
	21-31	9.18	9.15	8.94	
August:	1-10	9.26	9.69	8.17	
	11-20	9.38	8.89	10.88	
	21-31	9.62	10.07	8.57	
September:	1-10	9.60	8.14	9.44	
	11-20	9.14	9.07	9.34	
	21-30	8.31	9.02	7.26	
October:	1-10	9.45	9.57	6.24	
	11-20	9.31	9.08	8.04	
	21-31	9.50	9.82	8.64	
November:	1-10	9.46	8.92	6.65	
	11-20	8.34	9.44	8.07	
	21-30	8.91	9.24	7.08	
December:	1-10	8.06	10.00	7.63	
	11-20	9.07	8.57	7.83	
	21-31	9.07	8.41	8.06	

Note: Dealer sales exclude exports and imported foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.

Domestic-Model Car Sales



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STATISTICAL REFERENCE INDEX
ACQUISITIONS
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WASHINGTON, D. C. 20014

STATISTICAL BULLETIN

Volume 13 No. 4, April, 1980

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THE CONFERENCE BOARD

comment Only two short months ago, we suggested here that the most widely heralded recession in history had yet to occur. Further, it was pointed out that it might not occur. Specifically, while consumer market activity was indeed weak, erosion of capital investment activity had not developed. Although profit margins were shrinking, as indicated on the *Key Determinants of Profit Margins* chart, demand for plant and equipment was still rising, as indicated on the *Capital Appropriations and Expenditures* table.

But that was two months ago, when there was still room to question how tight monetary policy would become. But by now, data on *Money Supply and Monetary Targets* clearly show that monetary expansion has been sharply reduced and interest rates, relative to any measure of inflation, have been hiked to the point where the cost of borrowing funds is truly expensive. The tight money policy has sapped what little strength was left in consumer markets and there are some early signs that capital investment activity has begun to soften. Thus, not only is a recession likely to occur this year, it may have already begun.

Last Summer, when it seemed that the economy might be undergoing a contraction, consumer attitudes turned more pessimistic than they had been since the last recession in early 1975. As it became clear that the economy, though hardly buoyant, was not in recession, attitudes improved. But the latest data on The Conference Board's *Consumer Confidence Index* show that the recent spate of bad economic news has helped push consumer attitudes back down to the levels they reached last summer. Another factor adversely affecting consumer feelings is the steady erosion of purchasing power under the onslaught of inflation. Retail sales, adjusted for inflation, declined 2% in February. Undoubtedly, that drop would have been even steeper if buying on credit had not shot up dramatically. The net increase in consumer installment debt in February was twice what it was in either January or December. With nominal personal income only slightly higher in February than in January, the ratio of installment debt expansion to personal income shot up from 0.8% in January to 1.7% in February. That surge may have been a final burst of heavy credit use. Not only have interest rates been rising, where not restricted by law, but the availability of consumer credit has been widely constrained since mid-March, when the Federal Reserve took policy actions aimed explicitly at slowing consumer credit growth. Real retail sales declined even more sharply in March than in February. The weakness in buying is most notable in cyclically sensitive consumer durable goods. New domestic *Automobile Sales*, for example, were lower in late March than they had been at any time in the last five years, or since the end of the last recession.

With sales volume falling, production planners have been faced with a choice of altering schedules or accumulating inventory. Current interest rates make inventory financing extremely costly. In addition, declining sales volume means a lighter cash flow. The likelihood of widespread production cutbacks would seem to be as high as the chance that consumer demand will continue to weaken. And the resulting layoffs, implied in the production cutbacks, will only add to the probability that consumer market activity will continue to weaken.

With supply from existing capacity in excess of current demand, the need for additional capacity fades. This is especially true in the current context of diminished internal funds, brought on by shrinking profit margins. And higher interest rates have made external financing more costly. As a result, orders for new plant and equipment were about 7% lower in February than they were only three months earlier, suggesting that capital investment is running out of steam.

In sum, the pace of economic activity appears to be slowing and indications are that it will get worse before it gets any better. The composite index of *Leading Economic Indicators* has declined

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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THE CONFERENCE BOARD IN CANADA
25 McArthur Road
Ottawa, Ontario, K1L-6R3, Canada

845 Third Avenue
New York, New York 10022

THE CONFERENCE BOARD IN EUROPE
Avenue Louise, 326-Bte 48
B-1050 Brussels, Belgium

in seven out of the last eight months. Altogether, the cumulative drop in this series since January, 1979, is a little more than 5 percent. A decline of this duration and magnitude strongly suggests an upcoming recession. All but one of the *Economic Forecasts* are in agreement that the recession will start no later than the second quarter of this year, and will continue through the remainder of the year.

The median of the forecasts says that real output is expected to decline by a seasonally adjusted 2.7% annual rate in the second quarter of 1980, by 3.7% in the third quarter, and by 0.6% in the fourth quarter. The median forecast for the first quarter of 1981 is for a rise of only 1.5%, but then the pace accelerates to 2.4% in the second quarter, and by the third quarter of 1981 the expansion phase of the cycle will be fully under way with real output rising at about its long-term trend rate.

The most pessimistic outlook is that real output could be declining at an annual rate close to 6% in the three-quarter recession, and that the recovery will see real output rise at only a very sluggish pace of no more than 2% per quarter through the end of 1981.

The most optimistic outlook is that activity will decline only very modestly—and only in the second quarter of 1980. This view suggests that real growth will be sluggish but positive through the second half of this year. In 1981, activity would start expanding at rates close to or above the long-term trend and continue at such a pace through the end of 1981.

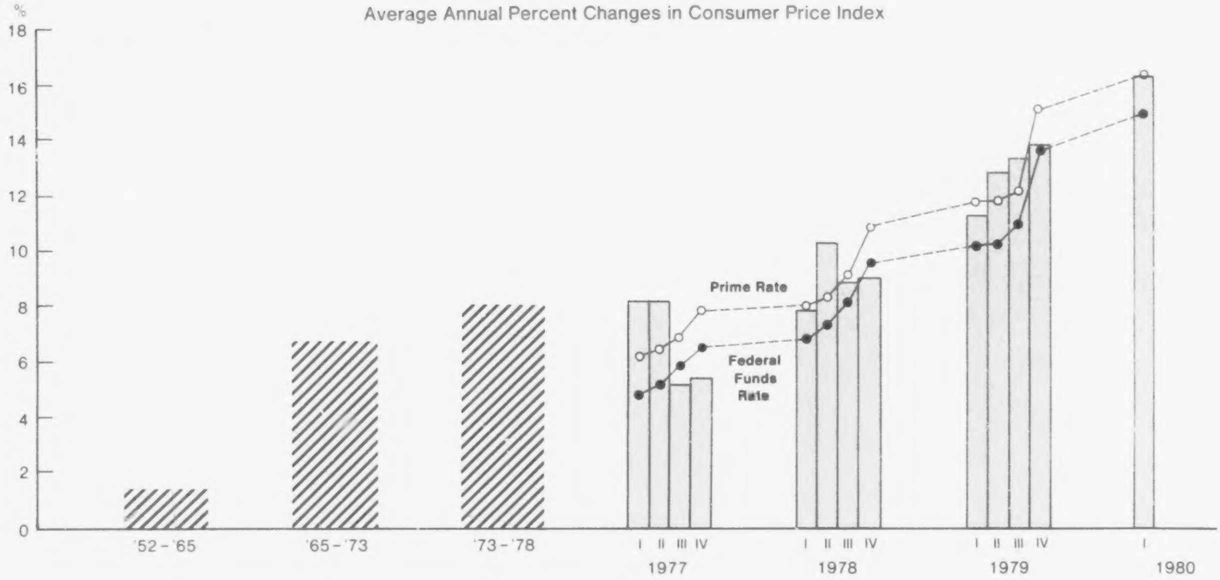
The forecasters expect a period of recession, or at best of prolonged sluggishness, to slow the inflation, as measured by the implicit price deflator for GNP, to perhaps 8% by early 1981 before both the economy and the inflationary spiral begin accelerating again. Some of the *Economic Forecasts* indicate that inflation may only improve to 8½% by early 1981, while other, more optimistic forecasts indicate it might come down to about 6½ percent.

The sharply lowered pace of economic activity will result in a steep rise in unemployment. The median expectation is that the national unemployment rate will rise to about 8% by this time next year. Some of the pessimistic forecasts indicate that rate may peak closer to 8½%, but that level of unemployment may occur as early as the fourth quarter of 1980 and not subside until late in 1981.

Ken Goldstein

The Inflation Spiral

Average Annual Percent Changes in Consumer Price Index

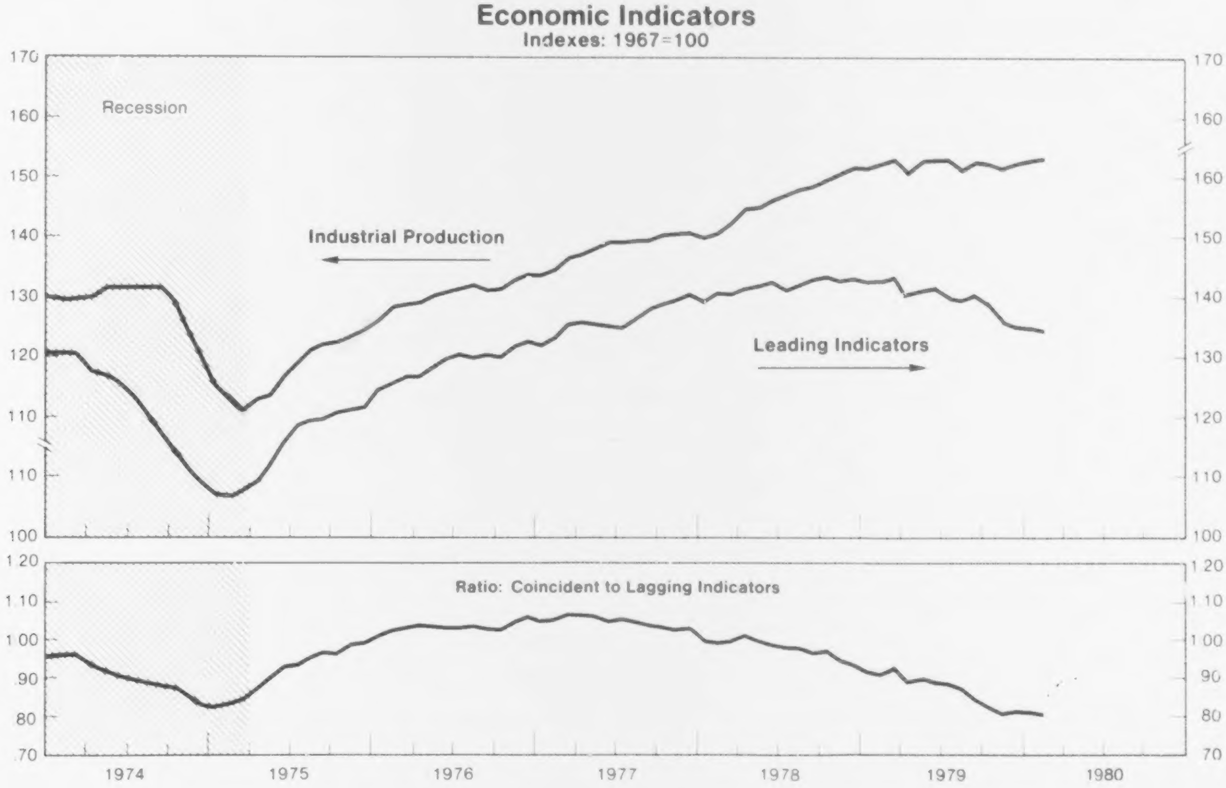


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Feb.			X	— 0.8%	— 5.2%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Feb		X		— 6.6%	—12.6%
New orders, nondefense capital goods (deflated)	Feb		X		— 4.2%	—12.9%
*Net business formation	Dec.			X	— 3.0%	— 3.9%
*Housing permits	Feb.			X	— 9.6%	—19.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Feb.		X		6.8%	— 5.1%
*Change in inventory, on hand & order (deflated)	Jan			X	— 5.9%	—30.1%
Purchasing agents' buying policy	Mar		X		— 1 %	—12 %
*Vendor performance, reported slower deliveries	Feb.			X	—10.6%	—45.5%
Industrial raw materials prices	Mar	X			+ 2.8%	+10.3%
*Change in sensitive prices	Feb	X			+ 0.2%	+ 1.0%
Sensitive Financial Flows						
*Money balance (M2, deflated)	Feb			X	— 2.2%	— 3.9%
Change in business loans	Mar			X	—10.6%	—12.4%
*Change in liquid assets	Feb		X		— 0.1%	— 0.1%
Change in consumer installment debt	Jan			X	— 9.8%	—20.3%
Profitability						
Total corporate profits, after tax (deflated)	4th Q			X	— 1.3%	+ 3.1%
*Common stock prices	Mar			X	— 2.4%	+ 5.1%
Marginal Employment Adjustments						
*Average workweek, mfg.	Feb.		X		0.0hr	— 0.6hr
Initial unemployment claims (inverted)	Feb.			X	+10.3%	—10.0%
*Layoff rate, mfg. (inverted)	Feb		X		0.0%	+ 0.4%

Note: For historical data of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Business Conditions Digest*, (Washington, D.C.: Government Printing Office, July, 1978, p. 100. For a description of the index, see November, 1975, page V)

*These twelve series make up the composite leading index charted below.



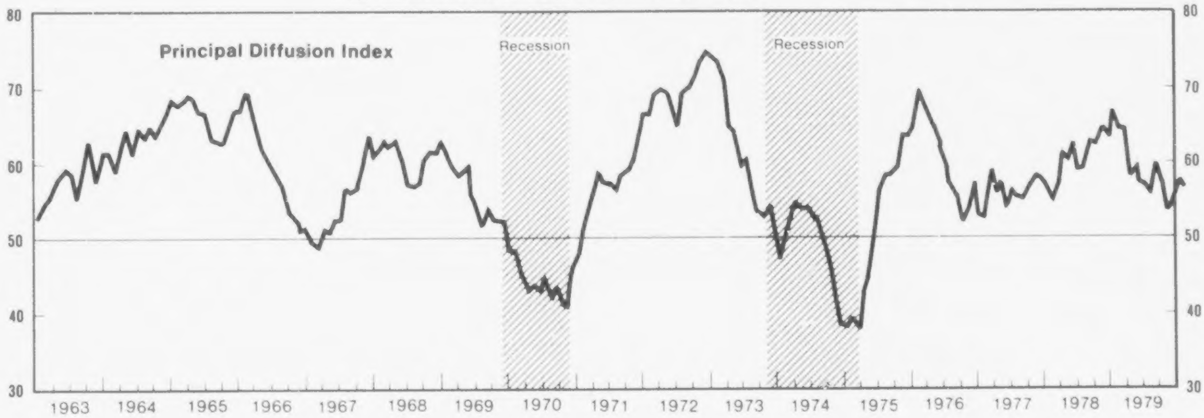
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1979 Feb.	1980 Nov.	Dec.	Jan.	Feb.(e)
Principal Diffusion Index	64.0	53.4r	55.0r	57.3r	56.8
Auxiliary Diffusion Index	41.9	36.1r	55.4r	57.5r	48.3
Industrial Group	62.1	45.1	48.7	50.7r	50.2
Nonindustrial Group	66.0	61.7r	61.4r	64.0r	63.5
Sense of Diffusion	1.0	0.0	0.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	74.4	50.4	47.4	55.6r	57.7
Labor	57.7	45.0	50.6	49.9	47.6
Miscellaneous	54.5	37.2	45.5	45.5	45.5
Nonindustrial Subgroups					
Prices	67.9	62.2	67.3	71.8	76.3
Consumer	82.9	74.4r	73.1r	77.4r	70.9
Building	55.8	44.9	46.2r	46.8r	43.6
Miscellaneous	54.7	59.8r	56.0r	56.8r	60.7

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e—estimate   r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1977		*1978*				*1979*				*1980*
	Aug.	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*
	Score (scale 0-100)										
Measure of Business Confidence	59	52	52	58	49	40	43	41	32	32	40
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	62	48	46	60	58	45	47	47	28	29	36
2. Expectations for Economy, Six Months Ahead	56	49	49	54	42	33	36	33	29	29	38
3. Expectations for Own Industry, Six Months Ahead	60	58	59	60	49	43	46	43	39	38	45

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

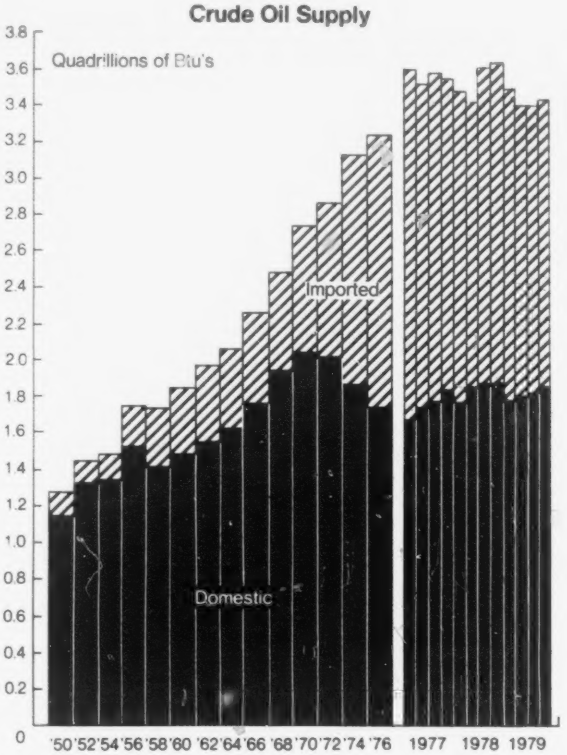
CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

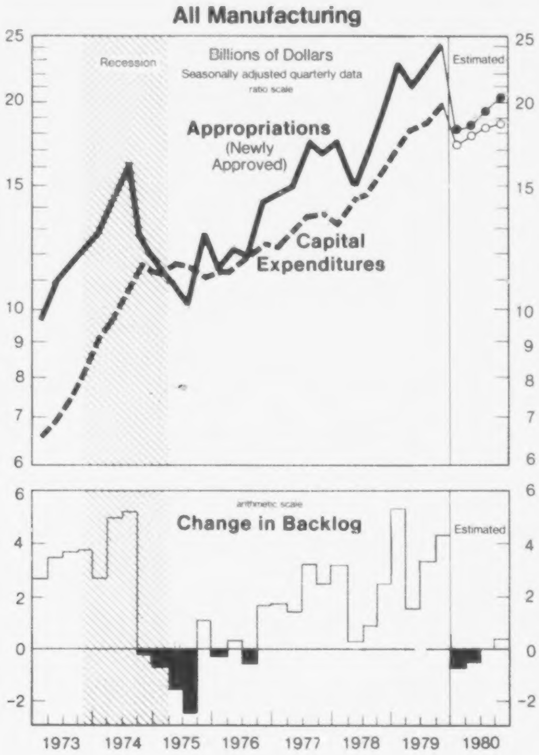
Billions of Dollars, Seasonally Adjusted

	1979			1980				1981			
				PROJECTIONS							
	II	IIIr	IVp	I	II	III	IV	I	II	III	IV
1000 LARGEST MANUFACTURING FIRMS											
Newly approved	21.033	22.552	24.517	18.2	18.6	19.6	20.2	20.7	21.3	21.9	22.3
Capital expenditures	18.027	18.678	20.095	17.3	17.9	18.3	18.6	18.6	18.9	18.9	19.1
Change in appropriations backlog	+ 1.468	+ 3.431	+ 4.269	−0.7	−0.5	0.0	+ 0.3	+ 0.8	+ 1.1	+ 1.7	+ 1.9
Durable Goods											
Newly approved	10.672	10.384	12.153	8.4	8.3	8.3	8.5	8.8	9.1	9.3	9.6
Capital expenditures	8.379	9.126	9.721	8.7	8.6	8.6	8.3	8.1	7.7	7.6	7.5
Change in appropriations backlog	+ 1.970	+ 1.182	+ 2.555								
Nondurable Goods											
Newly approved	10.361	12.168	12.364	9.8	10.2	11.3	11.8	11.9	12.2	12.6	12.7
Capital expenditures	9.648	9.552	10.374	8.7	9.3	9.7	10.2	10.6	11.2	11.3	11.5
Change in appropriations backlog	−0.502	+ 2.249	+ 1.714								
ELECTRIC & GAS UTILITIES											
Appropriations	6.763r	10.913	8.809								
Capital expenditures	7.149r	7.139	6.994								
Change in appropriations backlog	−1.737r	+ 3.276	−7.236								

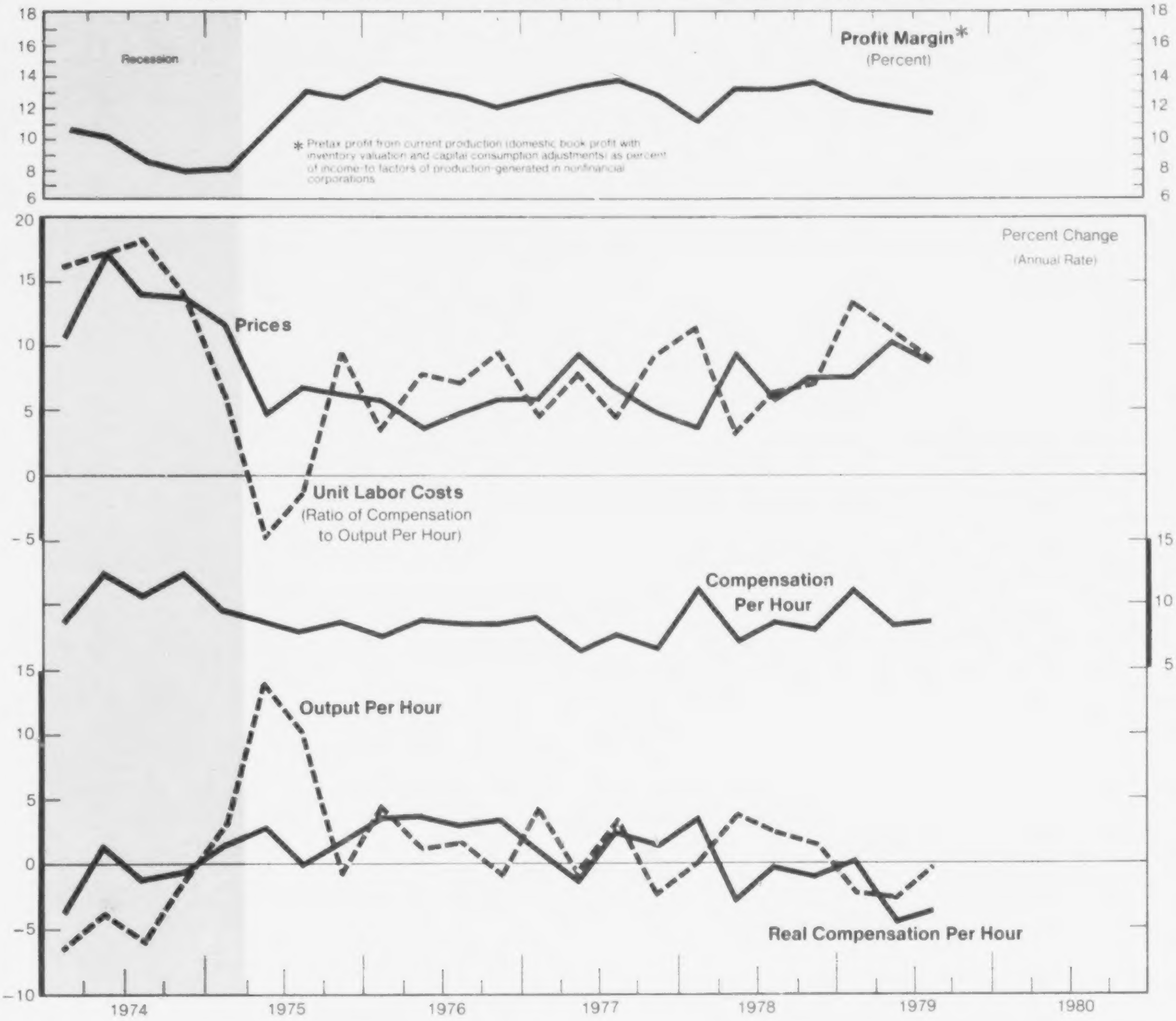
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request. Projections are based on The Conference Board's capital appropriations forecasting model. Data for utilities are revised for 1978 and 1979.

r—revised p—preliminary



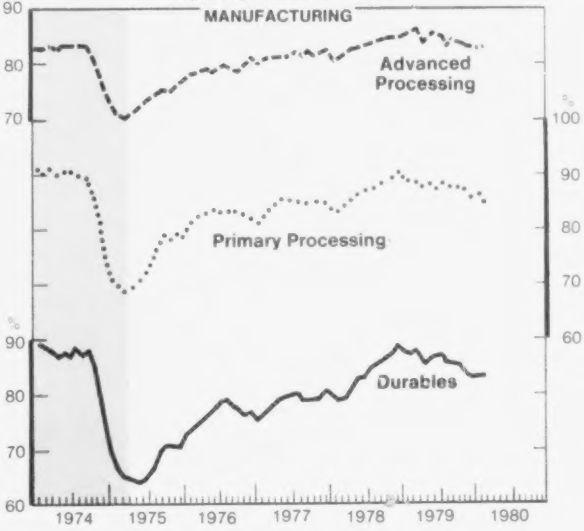


Key Determinants of Profit Margin, Nonfinancial Corporations

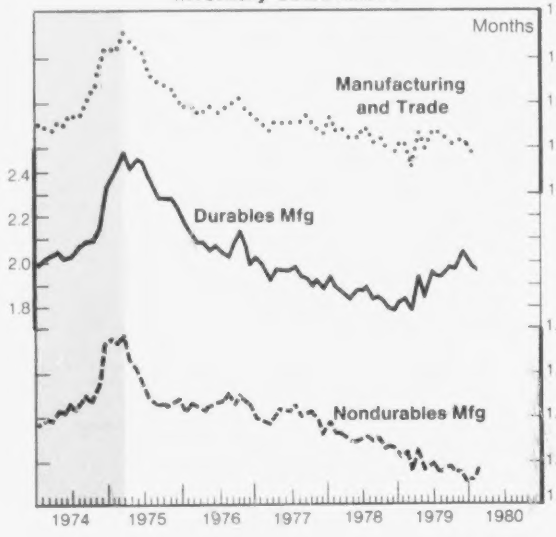


* Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income to factors of production generated in nonfinancial corporations

Capacity Utilization Rates



Inventory-Sales Ratios



Seasonally Adjusted

ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[1]		Kent Economic Institute[2]		Michigan Research Seminar in Quantitative Economics[2]	
Date of Forecast			Feb., 1980		Feb., 1980		Mar., 1980		Mar., 1980	
			Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change
Gross National Product Current Dollars										
Actual	**1979**	**IV**					**$2456.9**	**10.5%**	**$2456.9**	**10.5%**
Forecast	1980	I	$2529.5	11.9%	$2525.6	11.2%	2539.7	14.2	2532.4	12.9
		II	2589.8	9.9	2555.7	4.9	2629.4	14.9	2581.3	7.9
		III	2626.2	5.7	2590.3	5.5	2713.6	13.4	2639.2	9.3
		IV	2651.8	4.0	2638.2	7.6	2806.3	14.4	2693.0	8.4
	1981	I	2710.1	9.1	2704.2	10.4	2884.0	11.5	2740.4	7.2
		II	2798.1	13.6	2789.8	13.3	2966.8	12.0	2798.2	8.7
		III	2901.9	15.7	2692.5	15.6	3065.2	13.9	2865.0	9.9
		IV	3005.0	15.0	2996.0	15.1	3154.1	12.1		
	1980	**Annual**	**2599.3**	**9.7**	**2577.4**	**8.8**	**2672.2**	**12.8**	**2611.5**	**10.2**
	1981	Annual	2853.8	9.8	2845.6	10.4	3017.5	12.9		
Gross National Product Constant (1972) Dollars										
Actual	**1979**	**IV**					**$1440.3**	**2.0%**	**$1440.3**	**2.0%**
Forecast	1980	I	$1452.6	3.3%	$1443.0	0.6%	1443.0	0.8	1447.1	1.9
		II	1449.9	—0.7	1425.6	—4.7	1439.2	—1.0	1435.3	—3.2
		III	1435.6	—3.9	1412.2	—3.7	1441.1	0.5	1432.3	—0.8
		IV	1419.3	—4.5	1408.3	—1.1	1447.3	1.7	1430.0	—0.6
	1981	I	1421.6	0.6	1416.1	2.2	1460.3	3.6	1427.4	—0.7
		II	1437.5	4.5	1434.0	5.2	1473.8	3.7	1429.2	0.5
		III	1459.5	6.3	1457.1	6.6	1486.5	3.5	1436.1	1.9
		IV	1478.7	5.4	1477.3	5.7	1492.7	1.7		
	1980	**Annual**	**1439.3**	**0.5**	**1422.3**	**—0.7**	**1442.6**	**0.8**	**1436.2**	**—0.3**
	1981	Annual	1449.3	0.7	1446.1	1.7	1478.3	2.5		
Gross National Product Deflator Index, 1972 = 100										
Actual	**1979**	**IV**					**170.6**	**8.3%**	**170.6**	**8.3%**
Forecast	1980	I	174.1	8.3%	175.0	10.5%	176.0	13.3	175.0	10.8
		II	178.6	10.7	179.3	10.1	182.7	16.1	179.8	11.5
		III	182.9	10.0	183.4	9.6	188.3	12.8	184.3	10.2
		IV	186.8	8.8	187.3	8.8	193.9	12.4	188.3	9.1
	1981	I	190.6	8.4	191.0	8.0	197.5	7.6	192.0	8.0
		II	194.7	8.7	194.5	7.7	201.3	7.9	195.8	8.2
		III	198.8	8.9	198.5	8.4	206.2	10.1	199.5	7.8
		IV	203.2	9.1	202.8	8.9	211.3	10.3		
	1980	**Annual**	**180.6**	**9.2**	**181.3**	**9.5**	**185.2**	**12.0**	**181.8**	**9.9**
	1981	Annual	196.8	9.0	196.7	8.5	204.1	10.2		
Unemployment Rate										
Actual	**1979**	**IV**					**5.9%**		**5.9%**	
Forecast	1980	I	6.2%		6.2%		6.3		6.1	
		II	6.6		6.9		6.5		6.5	
		III	7.6		7.7		6.6		7.0	
		IV	8.4		8.2		6.5		7.4	
	1981	I	8.3		8.5		6.5		7.8	
		II	7.9		8.4		6.5		8.2	
		III	7.6		8.0		6.5		8.4	
		IV	7.4		7.7		6.3			
	1980	**Annual**	**7.2**		**7.2**		**6.5**		**6.8**	
	1981	Annual	7.8		8.1		6.5			

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (first revision) fourth quarter data.

[2] Based on revised (second revision) fourth quarter data.

ECONOMIC FORECASTS (continued)

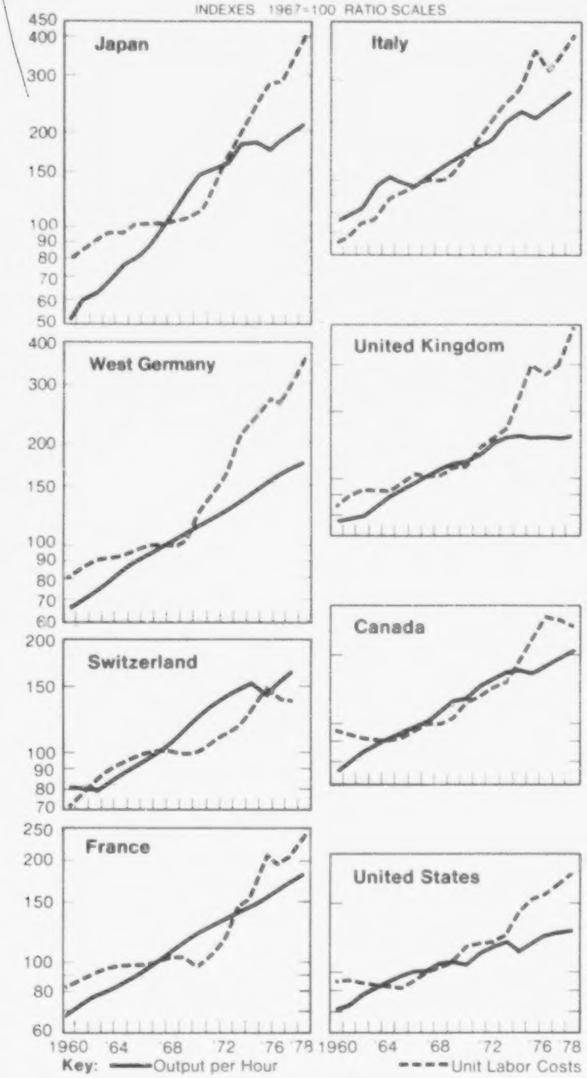
The Conference Board[2]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Mar. 1980		Mar. 1980		Mar. 1980		Mar. 1980				
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Current Dollars		
$2456.9	**10.5%**	**$2456.9**	**10.5%**	**$2456.9**	**10.5%**	**$2456.9**	**10.5%**	**IV**	**1979**	**Actual**
2516.0	10.0	2512.7	9.4	2523.8	11.3	2519.7	10.6	I	1980	Forecast
2540.0	3.9	2543.6	5.0	2582.6	9.6	2564.6	7.3	II		
2554.0	2.2	2553.2	1.5	2627.4	7.1	2613.4	7.8	III		
2584.0	4.8	2612.3	9.6	2694.1	10.5	2670.5	9.0	IV		
2635.0	8.1	2694.1	13.1	2770.2	11.8	2742.2	11.2	I	1981	
2696.0	9.6	2787.5	14.6	2854.8	12.8	2809.1	10.1	II		
2770.0	11.4	2865.2	11.6	2959.0	15.4	2883.9	11.1	III		
2841.0	10.7	2957.4	13.5	3074.5	16.6	2961.7	11.2	IV		
2548.5	**7.6**	**2555.4**	**7.9**	**2607.0**	**10.1**	**2592.0**	**9.4**	**Annual**	**1980**	
2735.5	7.3	2826.0	10.6	2914.6	11.8	2849.2	9.9	Annual	1981	
								Gross National Product Constant (1972) Dollars		
$1440.3	**2.0%**	**$1440.3**	**2.0%**	**$1440.3**	**2.0%**	**$1440.3**	**2.0%**	**IV**	**1979**	**Actual**
1442.1	0.5	1440.0	—0.1	1445.7	1.5	1444.4	1.1	I	1980	Forecast
1427.5	—4.0	1418.4	—5.9	1436.8	—2.4	1438.3	—1.7	II		
1407.3	—5.5	1397.0	—5.9	1422.1	—4.0	1433.4	—1.4	III		
1397.1	—2.9	1398.6	0.5	1418.6	—1.0	1431.7	—0.5	IV		
1399.1	0.6	1410.7	3.5	1422.7	1.2	1437.0	1.5	I	1981	
1405.8	1.9	1422.3	3.3	1431.2	2.4	1442.0	1.4	II		
1420.1	4.1	1432.7	3.0	1448.7	5.0	1451.1	2.5	III		
1432.2	3.5	1444.0	3.2	1467.6	5.3	1459.0	2.2	IV		
1418.5	**—0.9**	**1413.5**	**—1.3**	**1430.8**	**—0.1**	**1436.9**	**0.4**	**Annual**	**1980**	
1414.3	—0.3	1427.4	1.0	1442.5	0.8	1447.3	0.7	Annual	1981	
								Gross National Product Deflator Index, 1972 = 100		
170.6	**8.3%**	**170.6**	**8.3%**	**170.6**	**8.3%**	**170.6**	**8.3%**	**IV**	**1979**	**Actual**
174.5	9.4	174.5	9.5	174.6	9.7	174.4	9.4	I	1980	Forecast
177.9	8.2	179.3	11.6	179.7	12.4	178.3	9.2	II		
181.5	8.2	182.8	7.9	184.8	11.6	182.3	9.3	III		
185.0	7.9	186.8	9.1	189.9	11.6	186.5	9.5	IV		
188.3	7.5	191.0	9.3	194.7	10.5	190.8	9.5	I	1981	
191.8	7.5	196.0	10.9	199.5	10.1	194.8	8.6	II		
195.1	7.0	200.0	8.4	204.3	9.9	198.7	8.3	III		
198.4	7.0	204.8	10.0	209.5	10.7	203.0	8.8	IV		
179.7	**8.6**	**180.8**	**9.3**	**182.2**	**10.2**	**180.4**	**9.0**	**Annual**	**1980**	
193.4	7.6	197.9	9.5	202.0	10.8	196.8	9.1	Annual	1981	
								Unemployment Rate		
5.9%		**5.9%**		**5.9%**		**5.9%**		**IV**	**1979**	**Actual**
6.2		6.2		6.0		6.2		I	1980	Forecast
6.8		6.7		6.5		6.5		II		
7.6		7.5		6.9		7.0		III		
8.0		8.0		7.2		7.5		IV		
8.0		8.2		7.5		7.6		I	1981	
8.0		8.2		7.7		7.8		II		
7.7		8.1		7.7		7.8		III		
7.5		8.0		7.6		7.9		IV		
7.1		**7.1**		**6.6**		**6.8**		**Annual**	**1980**	
7.8		8.1		7.6		7.8		Annual	1981	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900.

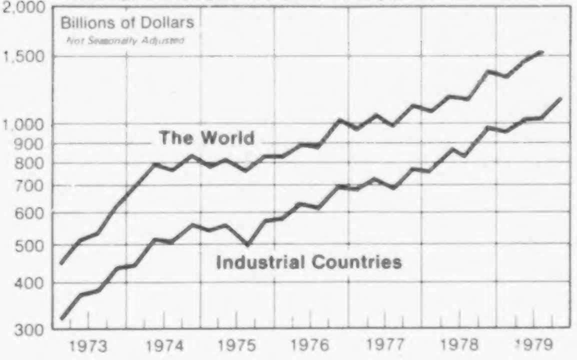
SELECTED INTERNATIONAL COMPARISONS

PRODUCTIVITY AND COSTS

INDEXES 1967=100 RATIO SCALES

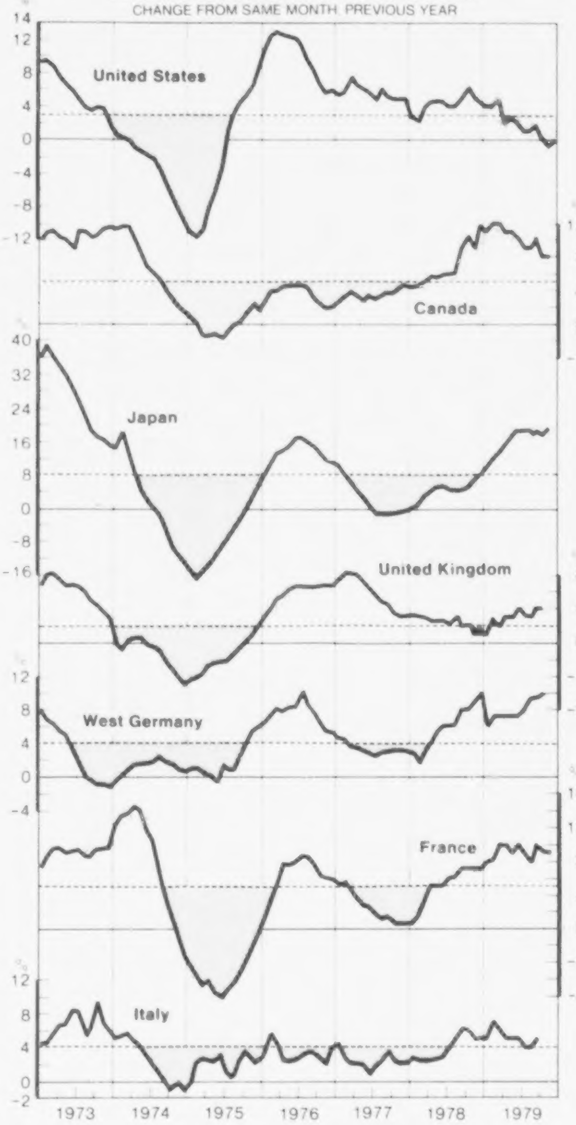


MERCHANDISE TRADE: VALUE OF EXPORTS

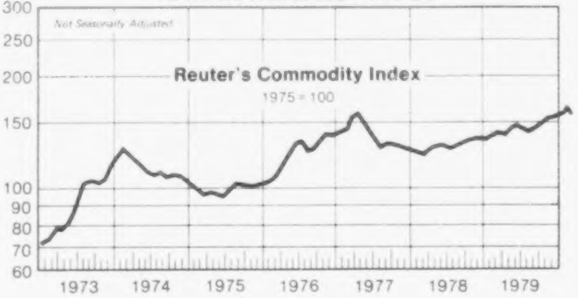


LEADING BUSINESS CYCLE INDEXES

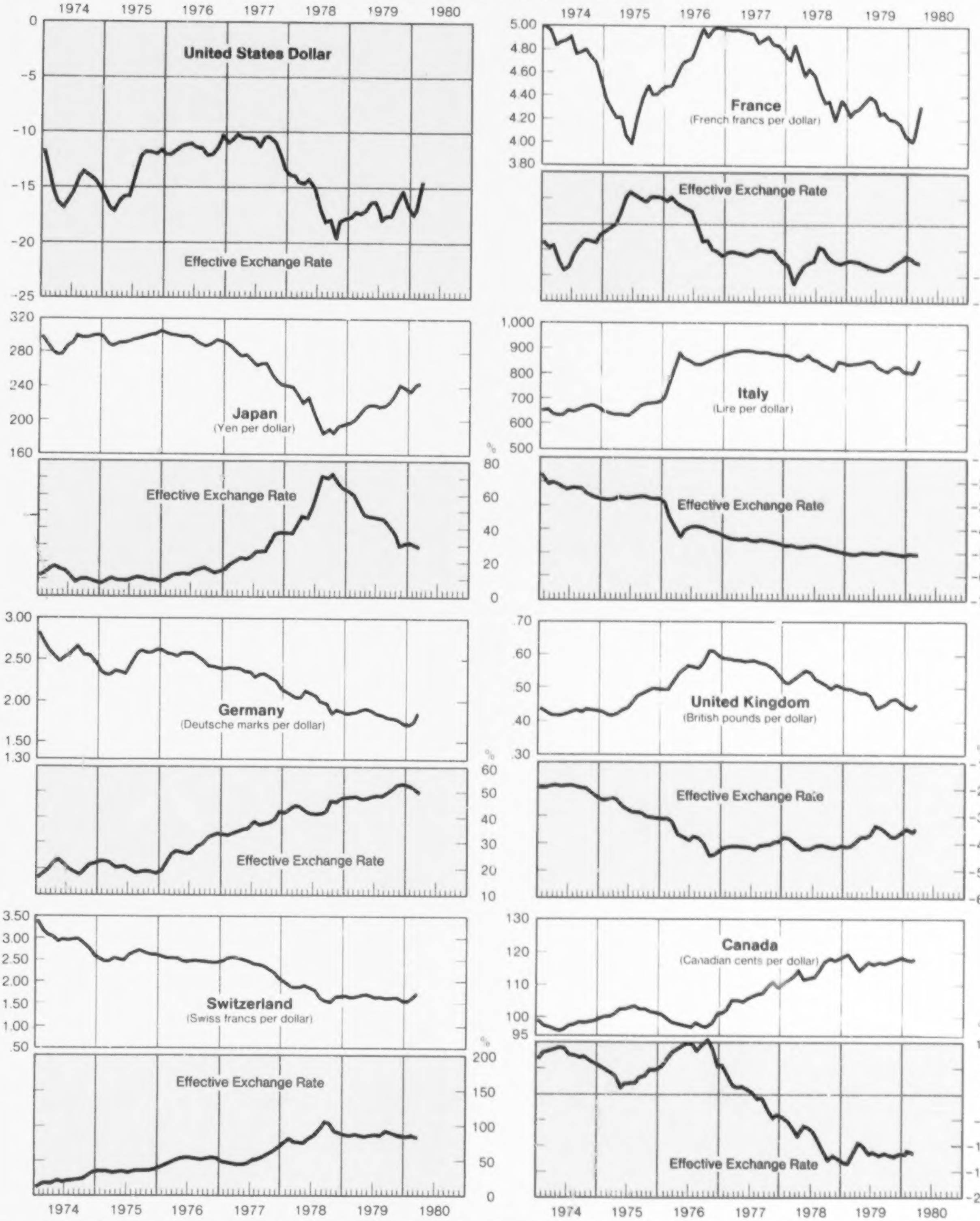
CHANGE FROM SAME MONTH PREVIOUS YEAR



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies weighted according to the average bilateral manufactures trade of 1976; changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

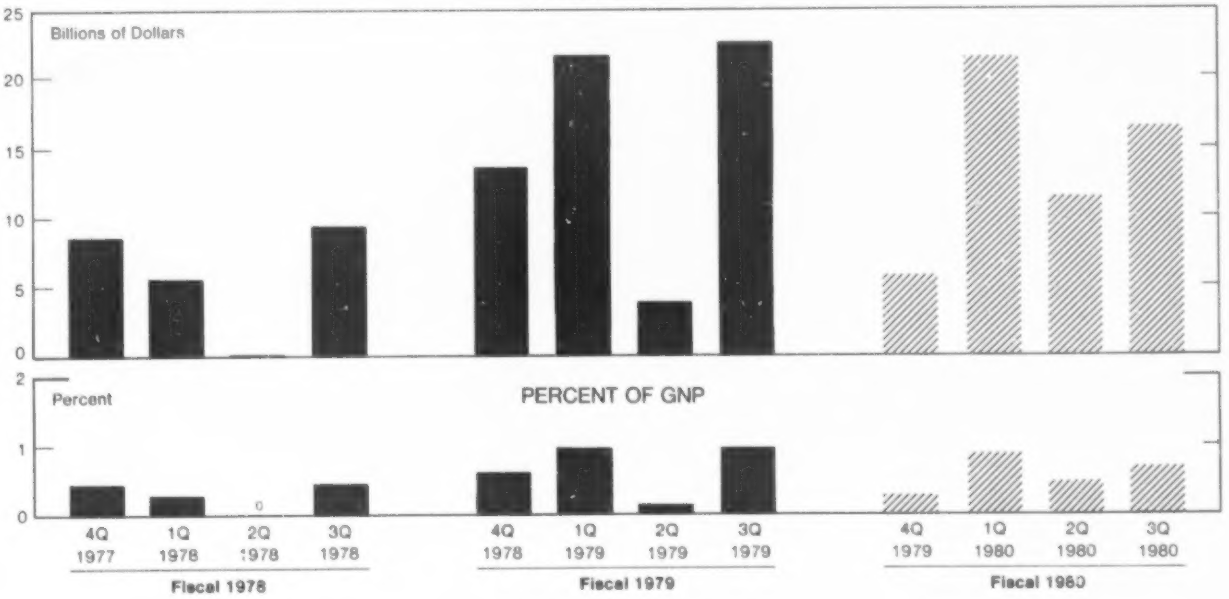
Source: Morgan Guaranty Trust.

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1980			Fiscal 1981		
	Current Services (1/22/79)	Revised President's Proposal (1/28/80)	Latest President's Proposal (3/31/80)	Current Services (1/28/80)	Initial Proposal (1/28/80)	Latest President's Proposal (3/31/80)
Receipts	**$504.5**	**$523.8**	**$532.4**	**579.0**	**600.0**	**628.0**
Outlays	**536.1**	**563.6**	**568.9**	**612.0**	**615.8**	**611.5**
Deficit	**−31.6**	**−39.5**	**−36.5**	**−33.0**	**−15.8**	**+16.5**
Receipts by source	**504.5**	**523.8**	**532.4**	**579.0**	**600.0**	**628.0**
Individual income taxes	229.6	238.7	241.5	273.3	274.4	279.9
Corporate income taxes	71.0	72.3	74.2	74.7	71.6	74.1
Social insurance	161.2	162.2	163.5	186.0	187.4	188.9
Other receipts	42.7	50.6	53.2	45.0	66.6	85.1
Outlays by function	**536.1**	**563.6**	**568.9**	**612.0**	**615.8**	**611.5**
Income security	179.5	190.9	190.0	219.9	220.0	220.1
National defense	125.5	130.4	134.0	142.4	146.2	150.5
Health	55.1	56.6	56.5	63.4	62.4	61.9
Education and manpower	31.0	30.7	30.1	32.5	32.0	30.6
Veterans' benefits	20.4	20.8	20.7	21.7	21.7	21.4
Transportation	18.0	19.6	20.5	20.1	20.2	19.0
Natural resources and environment	11.8	12.8	12.8	12.8	12.8	12.5
Revenue sharing	9.2	8.7	8.8	8.5	9.6	7.4
International affairs	7.9	10.4	11.1	9.6	9.6	10.1
Community development	7.2	8.5	9.0	8.5	8.8	8.5
Energy	8.0	7.8	6.8	7.1	8.1	6.9
General science	5.4	5.9	5.9	6.3	6.4	6.2
General government	4.2	4.9	4.8	4.9	4.9	4.8
Justice	4.3	4.5	4.6	4.7	4.7	4.6
Agriculture	5.0	4.6	5.1	3.2	2.8	2.0
Commerce and housing credit	3.4	5.5	6.2	0.8	0.7	0.4
Interest	57.1	63.3	64.3	68.4	67.2	68.4
Allowances	2.1	0.1	—	2.4	2.6	1.4
Undistributed offsetting receipts	−19.0	−22.3	−22.2	−25.1	−25.2	−24.9

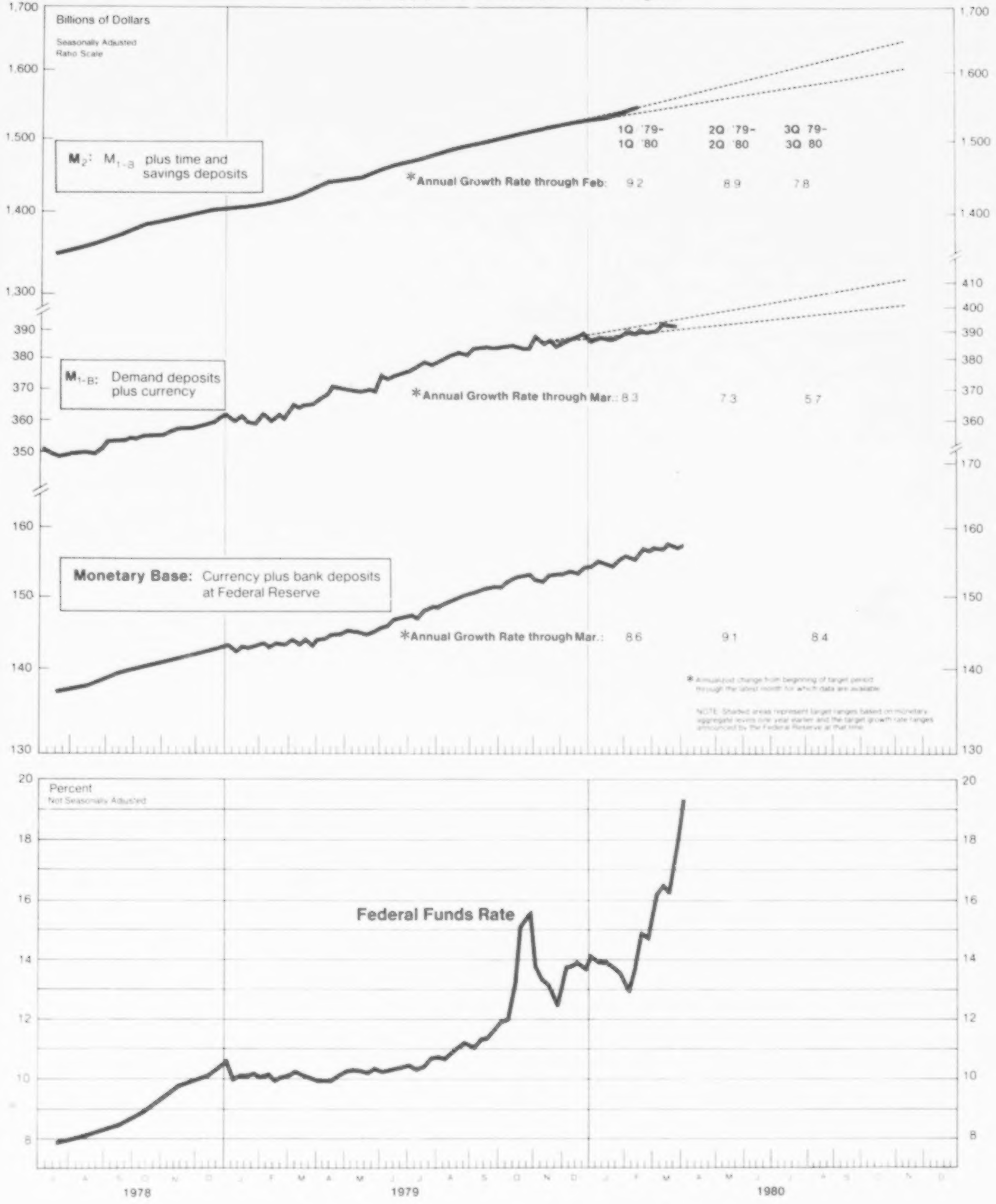
Sources: Office of Management and Budget, Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy*, Fiscal 1977, No. 2, The Conference Board, New York 1976.

Money Supply and Monetary Growth Targets



* Annualized change from beginning of target period through the latest month for which data are available.

NOTE: Shaded areas represent target ranges based on monetary aggregate levels one year earlier and the target growth rate ranges announced by the Federal Reserve at that time.

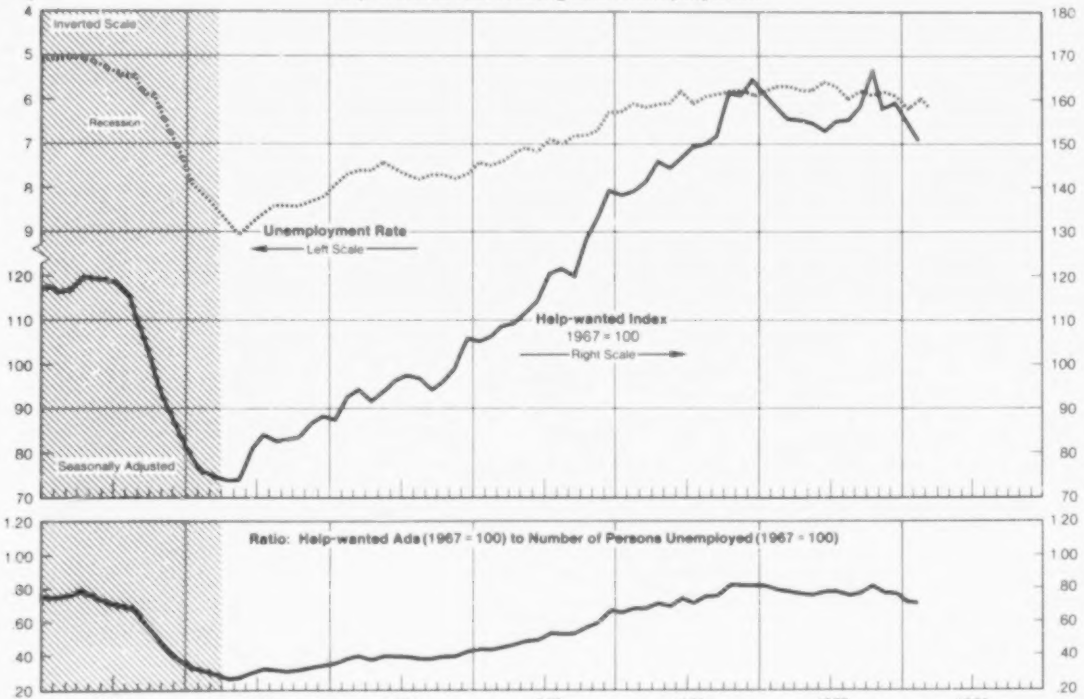
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1980		1979	
	Feb.	Jan.	Dec.	Feb.
Total Index				
51 papers	151	154	159	158
New England	142	142	150	138
Boston	151	147	156	144
Hartford	161	168	177	151
Providence	95	99	106	108
Middle Atlantic	70	72	73	69
Albany	106	108	105	104
Allentown	148	179	141	157
New York	60	59	60	56
Philadelphia	63	65	71	61
Pittsburgh	100	100	104	104
Rochester	66	74	76	82
Syracuse	85	93	105	97
East North Central	102	104	114	134
Chicago	96	103	115	126
Cincinnati	150	143	160	175
Cleveland	100	94	100	128
Columbus	152	155	165	170
Dayton	88	89	94	109
Detroit	73	74	80	112
Gary	125	135	149	193
Indianapolis	120	121	128	155
Milwaukee	101	98	122	135
Toledo	124	129	131	167
West North Central	120	121	129	146
Kansas City	141	143	150	181
Minneapolis	146	146	164	161
Omaha	134	141	143	177
St. Louis	78	76	78	102
South Atlantic	162	160	163	149
Atlanta	243	245	250	226
Baltimore	107	106	109	95
Charlotte	134	145	140	134
Jacksonville	128	131	134	126
Miami	165	167	161	165
Richmond	113	109	112	110
Washington, D.C.	170	161	169	146
East South Central	146	152	157	163
Birmingham	162	174	177	193
Knoxville	216	226	228	204
Louisville	99	95	106	114
Memphis	127	132	125	122
Nashville	168	177	194	212
West South Central	293	311	321	300
Dallas	258	274	277	273
Houston	432	464	490	443
New Orleans	204	194	195	203
Oklahoma City	216	240	253	214
San Antonio	192	189	183	180
Tulsa	232	262	n.a.	238
Mountain	338	356	369	369
Denver	291	297	302	315
Phoenix	378	404	422	413
Salt Lake City	372	402	423	411
Pacific	231	233	232	217
Los Angeles	211	211	209	200
Sacramento	338	313	315	294
San Bernardino	174	182	192	181
San Diego	360	369	361	346
San Francisco	215	225	223	191
Seattle	247	253	251	250
Percentage of papers with rising volume	24%	20%	55%	29%
Unemployment rate	6.0%	6.2%	5.9%	5.7%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977)
n.a.—not available r—revised

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100

(Seasonally Adjusted)

Consumer Confidence Index

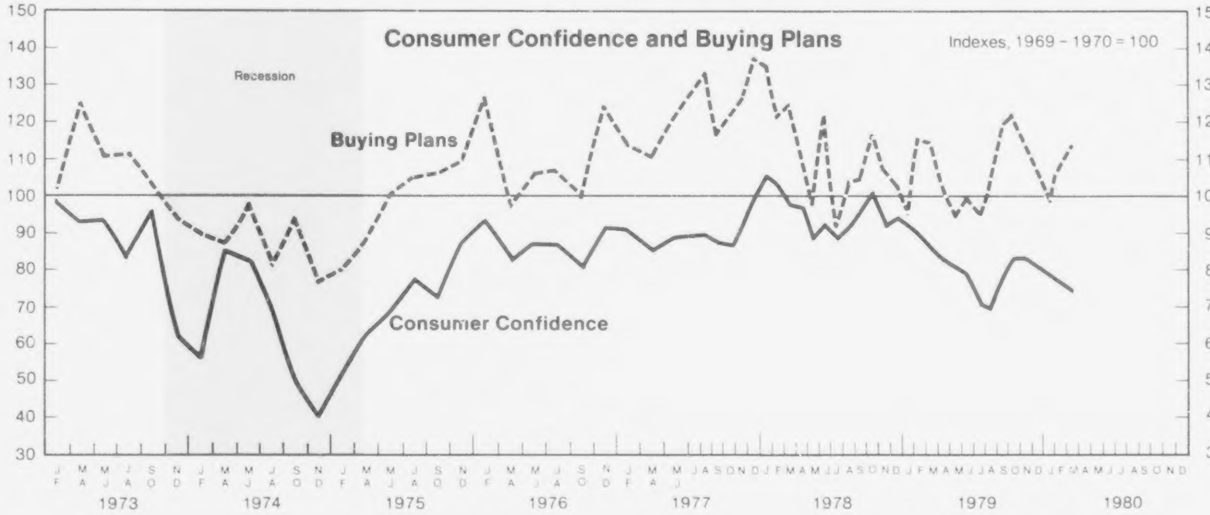
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1978	105.2	103.8	97.3	96.9	88.8	92.5	88.8	91.4	95.4	101.4	91.8	94.0
1979	91.7	91.4	84.9	82.2	80.8	78.5	70.0	69.0	78.2	83.6	83.0	80.8
1980	79.1	76.4r	71.9p									

Buying Plans Index

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1978	134.3	120.7	124.3	109.5	97.1	121.7	91.2	104.0	104.2	116.9	106.4	103.1
1979	95.1	115.4	114.4	100.6	95.4	99.6	94.6	101.7	119.4	121.9	113.4	107.2
1980	99.2	107.0r	114.0p									

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

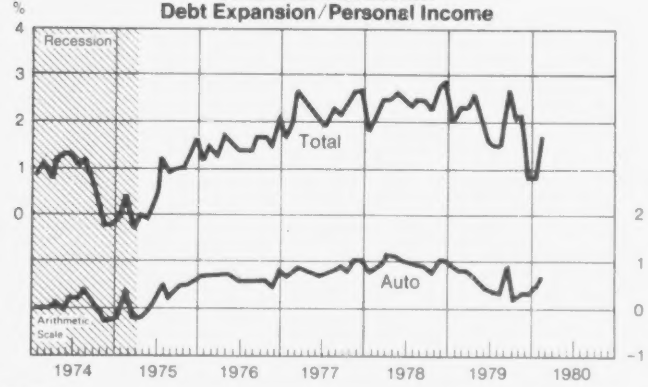
Billions of Dollars; Quarterly Data are Seasonally Adjusted at Annual Rates

		Aggregate Purchasing Power	Discretionary Purchasing Power	Discretionary Saving	Discretionary Spending	Discretionary Purchasing Power as % of Aggregate	Discretionary Spending as % of Aggregate	Discretionary Spending as % of Discretionary Purchasing Power
1975	I	$1075.2	$399.5	$ 67.5	$332.0	37.2%	30.9%	83.1%
	II	1155.6	469.7	125.2	344.5	40.6	29.8	73.3
	III	1160.5	453.4	125.8	327.6	39.1	28.2	72.3
	IV	1220.9	485.4	118.8	366.6	39.8	30.0	75.5
1976	I	1258.3	499.9	133.5	366.4	39.7	29.1	73.3
	II	1288.1	507.0	120.3	386.7	39.4	30.0	76.3
	III	1308.4	514.5	125.5	389.0	39.3	29.7	75.6
	IV	1343.4	533.7	118.2	415.5	39.7	30.9	77.9
1977	I	1394.3	560.4	139.4	421.0	40.2	30.2	75.1
	IIr	1432.2	583.3	143.2	440.1	40.7	30.7	75.4
	IIIr	1520.5	602.0	171.0	431.0	39.6	28.3	71.6
	IVr	1526.1	624.9	146.1	478.8	40.9	31.4	76.6
1978	Ir	1559.9	648.3	141.4	506.9	41.6	32.5	78.2
	IIr	1633.1	680.8	176.8	504.0	41.7	30.9	74.0
	IIIr	1672.4	693.1	184.2	508.9	41.4	30.4	73.4
	IVr	1701.4	690.9	150.3	540.6	40.6	31.8	78.2
1979	Ip	1746.1	712.2	149.5	562.7	40.8	32.2	79.0

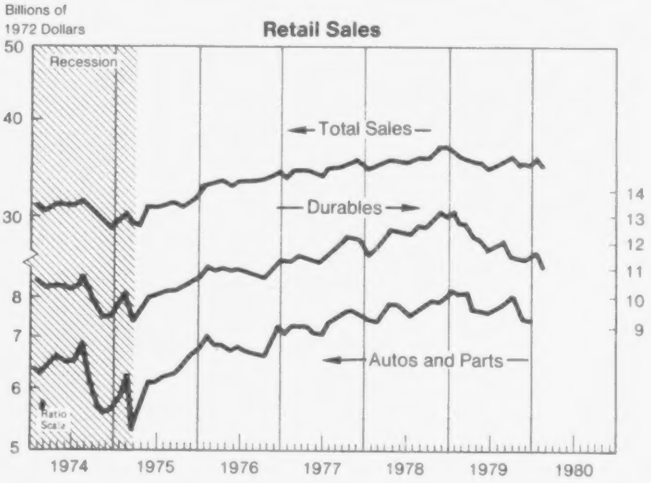
Note: For an explanation of discretionary purchasing power and spending, see Morton Ehrlich, *Discretionary Spending*, (The Conference Board, 1966).

P—Preliminary R—Revised

Consumer Installment Debt Expansion/Personal Income



Retail Sales



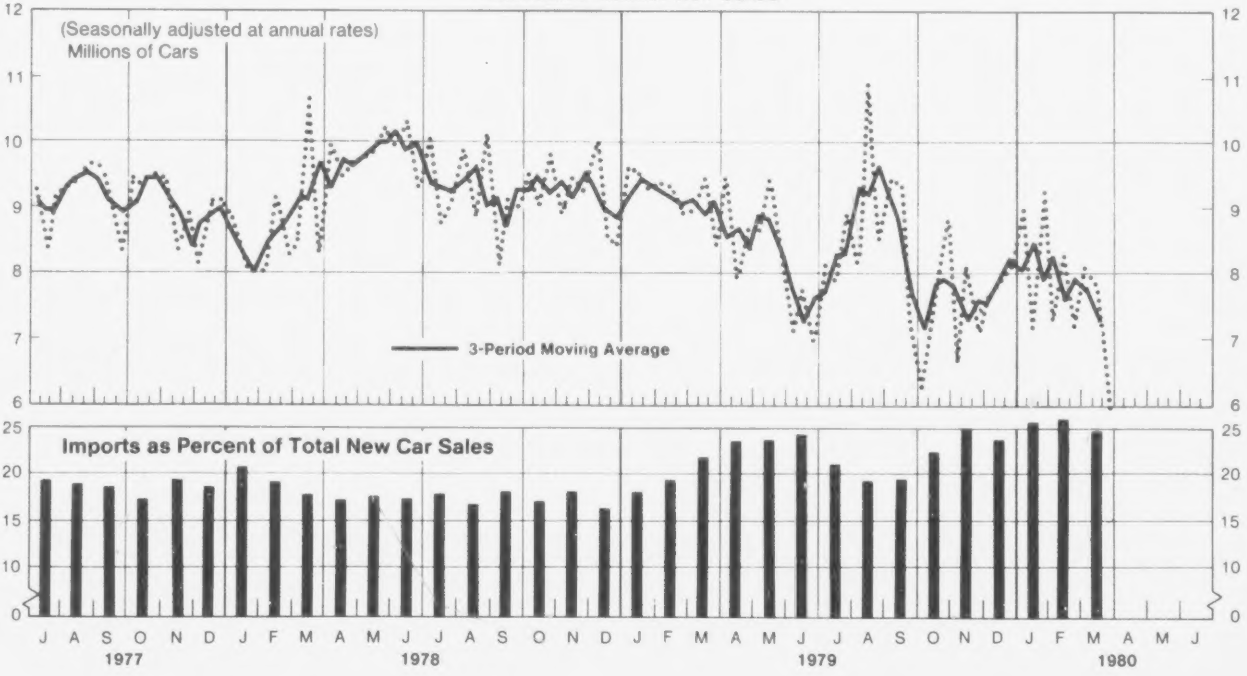
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1977	1978	1979	1980
January:	1-10	9.25	8.86	9.60	8.97
	11-20	9.51	8.03	9.55	7.19
	21-31	8.68	8.03	9.11	9.23
February:	1-10	9.83	8.00	9.20	7.28
	11-20	8.20	9.15	9.13	8.28
	21-28(29)	9.10	8.35	8.88	7.20
March:	1-10	9.86	8.49	8.83	8.11
	11-20	7.81	10.62	9.32	7.84
	21-31	9.69	8.32	8.29	5.98
April:	1-10	7.88	9.96	9.41	
	11-20	9.25	9.44	7.90	
	21-30	9.00	9.64	8.61	
May:	1-10	9.21	9.72	8.63	
	11-20	8.84	9.85	7.44	
	21-31	9.04	10.22	8.42	
June:	1-10	9.75	9.94	7.12	
	11-20	9.31	10.38	7.70	
	21-30	9.60	9.36	6.93	
July:	1-10	9.25	10.04	8.16	
	11-20	8.30	8.69	7.87	
	21-31	9.18	9.15	8.94	
August:	1-10	9.26	9.89	8.17	
	11-20	9.38	8.89	10.88	
	21-31	9.62	10.07	8.57	
September:	1-10	9.60	8.14	9.44	
	11-20	9.14	9.07	9.34	
	21-30	8.31	9.02	7.26	
October:	1-10	9.45	9.57	6.24	
	11-20	9.31	9.08	8.04	
	21-31	9.50	9.82	8.64	
November:	1-10	9.46	8.92	6.65	
	11-20	8.34	9.44	8.07	
	21-30	8.91	9.24	7.08	
December:	1-10	8.06	10.00	7.63	
	11-20	9.07	8.57	7.83	
	21-31	9.07	8.41	8.06	

Note: Dealer sales exclude exports and imported foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.

Domestic-Model Car Sales



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STATISTICAL BULLETIN

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THE CONFERENCE BOARD

comment Successive hikes in the cost of borrowing have raised real interest rates—the rate of interest relative to the rate of inflation—to such heights as to discourage borrowing. For consumers, who had already been curbing their appetite for credit, higher interest rates have been an added disincentive. The major impact has probably been on business borrowing, especially for expansion of facilities. The slowdown of activity in both consumer and capital markets over the last few weeks has helped to ease inflationary pressures. The slowing of both credit expansion and inflation has provided some latitude for interest rates to move down from their peak levels.

As indicated on the *Status of Leading Economic Indicators* table, the change in business loans in April was almost half what it had been only three months earlier. The table also shows that orders for plant and equipment are declining. While the need to modernize and expand facilities remains great, current market conditions presumably favor delaying capital investment projects.

Only last month, we said in this space that the surge in consumer borrowing in February was probably a final burst of heavy credit use. In March, not only had interest rates risen sharply, where not restricted by law, but credit availability had been constrained by the Federal Reserve's policy actions aimed explicitly at slowing consumer credit growth. As the chart on *Consumer Installment Debt Expansion/Personal Income* shows, by March credit use dropped to levels last seen in early 1975, during the previous recession. Furthermore, the real purchasing power of consumers' income has been eroding steadily over most of the last two years, as indicated on the *Key Determinants of Profit Margins* chart. The combination of high inflation (eroding spending power), high interest rates (restricting borrowing ability), and the possibility of losing one's job in the recession has led to a sharp decline in consumers' attitudes. The Conference Board's *Consumer Confidence Index* dropped to 53.2 (1969-1970 = 100) in April, not much above the cyclical trough reached at the end of 1974.

Consumer spending has been weakening for more than a year: Retail sales, adjusted for inflation, were 6.6% lower in March, 1980 than in January, 1979. The weakening in spending on cyclically sensitive durable goods has been even more severe. New Domestic *Automobile Sales* have been affected not only by the weakness of consumer demand but also by a marked increase in demand for foreign models. Sales of new domestic models are as low now as they were in the middle of the last recession, while the import share of the market for new cars is at an all-time high.

With sales volume declining, whether for consumer or capital goods, production planners have been faced with a choice of altering schedules or accumulating inventory, or both. Indeed, there has been some piling up of inventories but it is also true that the process of scaling back production is under way. The industrial production index fell in both February and March. And capacity utilization rates have been dropping. In fact, by February, the utilization rates for both primary and advanced processing industries, as well as the rate for durable goods manufacturing, had moved below the 85-90% generally regarded as the effective maximum range.

While production cutbacks have become more widespread only in the last two months or so, new hiring has been declining since last Fall. The Conference Board's *Help-wanted Index* was 13% lower in March than in October, 1979.

In sum, all of the economic statistics indicate that the long-awaited recession has begun. The composite index of *Leading Economic Indicators* continued to fall in March and was 8.3% below its peak of last March. A decline of this duration and magnitude strongly suggests that the slowing down of activity will continue for some months. All but one of the *Economic Forecasts* are in agreement that a recession is beginning in the second quarter of this year and will continue for the remainder of the year. In fact, three of the forecasts indicate that the recession will not end until the first quarter of 1981.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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THE CONFERENCE BOARD IN CANADA
25 McArthur Road
Ottawa, Ontario, K1L-6R3, Canada

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845 Third Avenue
New York, New York 10022

THE CONFERENCE BOARD IN EUROPE
Avenue Louise, 326-Bte 48
B-1050 Brussels, Belgium

The median of the forecasts says that real output is declining by a seasonally adjusted 3.2% annual rate in the current quarter and will continue to fall at that pace in the third quarter. The median rate of decline subsides to only 1.0% in the fourth quarter, followed by an advance at a very sluggish 1.6% rate in the first quarter of 1981. In the second quarter of 1981, a new expansionary phase is expected to be fully under way with growth rates at or above the long-term trend through the first quarter of 1982.

The median quarterly rates of decline from this month's *Economic Forecasts* are significantly steeper than those of only one or two months ago. The implication seems to be retreat from earlier views that this recession would be relatively short and mild. Indeed, the warnings that the longer it took for the recession to develop, the longer the corrective process, now seem to have hit the mark. The economy ran close to its effective capacity for about a year-and-a-half. That certainly was a sufficient length of time to develop strained supply conditions. Also, as indicated on the *Selective International Comparisons* charts, the economies of our major trading partners are considerably more sluggish at present than they were a year ago. The implication here is that if the recession had developed earlier, international trading conditions would have had an offsetting effect through foreign demand for U.S. products. But that is less likely now.

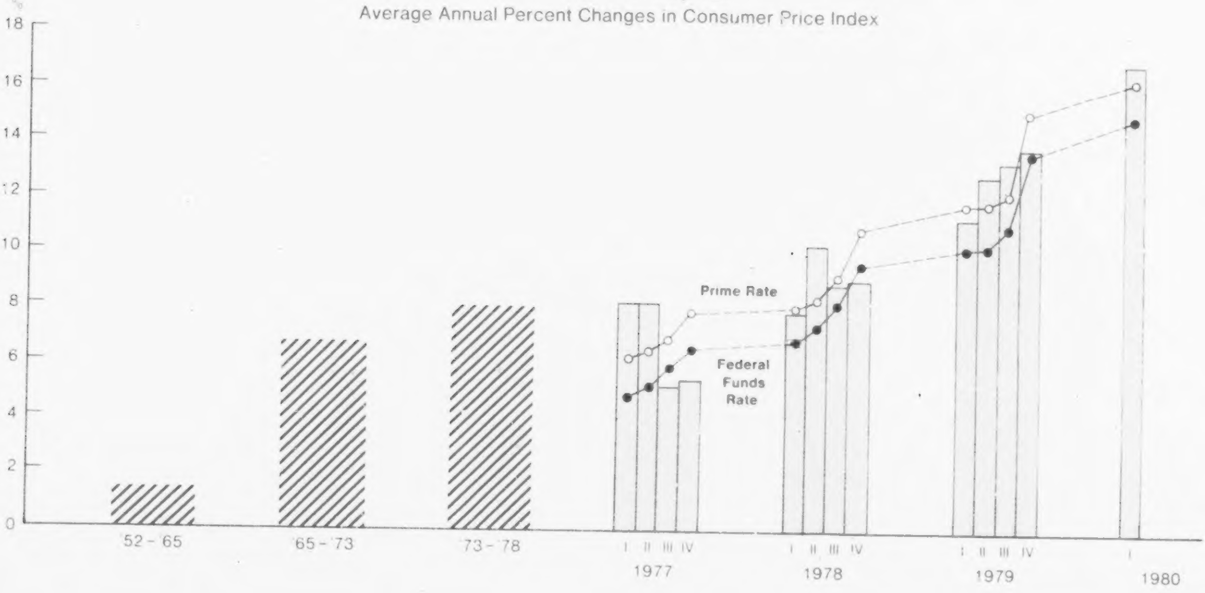
The general view expressed in the *Economic Forecasts* now is that this recession is likely to be more severe than the 1969-1970 experience but will not approach the severity of the 1974-1975 experience. The level of inventory/sales ratios this Spring is significantly lower than was the case in 1974. The record-high interest rates are likely to blunt any sizable run-up in inventories. Hence, the decline in production in this recession will probably be more closely related to weakening of final sales. Therefore, given the steep drop in consumer attitudes as well as the delaying of capital investment, the drop from the peak rate of activity in this recession could develop quite rapidly.

In the expansion of 1975-1979, employment rose almost as fast as real output; that is to say, productivity gains were sluggish at best (see the *Key Determinants of Profit Margins* chart). The decline in production, then, which could be quite rapid, will likely result in sizable layoffs early in the recession. That fact, together with continued high growth in the labor force, could lead to sharp increases in unemployment. Indeed, the unemployment rate shot up to 7% in April from 6.2% in March. The medium of the *Economic Forecasts* is still for a rate of unemployment of 8% [illegible] the first quarter of next year before it starts to ease. The most pessimistic forecasts, however, now peg the unemployment rate at a peak of 9-9½%—which would put it close to levels recorded in the 1974-1975 recession.

Ken Goldstein

The Inflation Spiral

Average Annual Percent Changes in Consumer Price Index



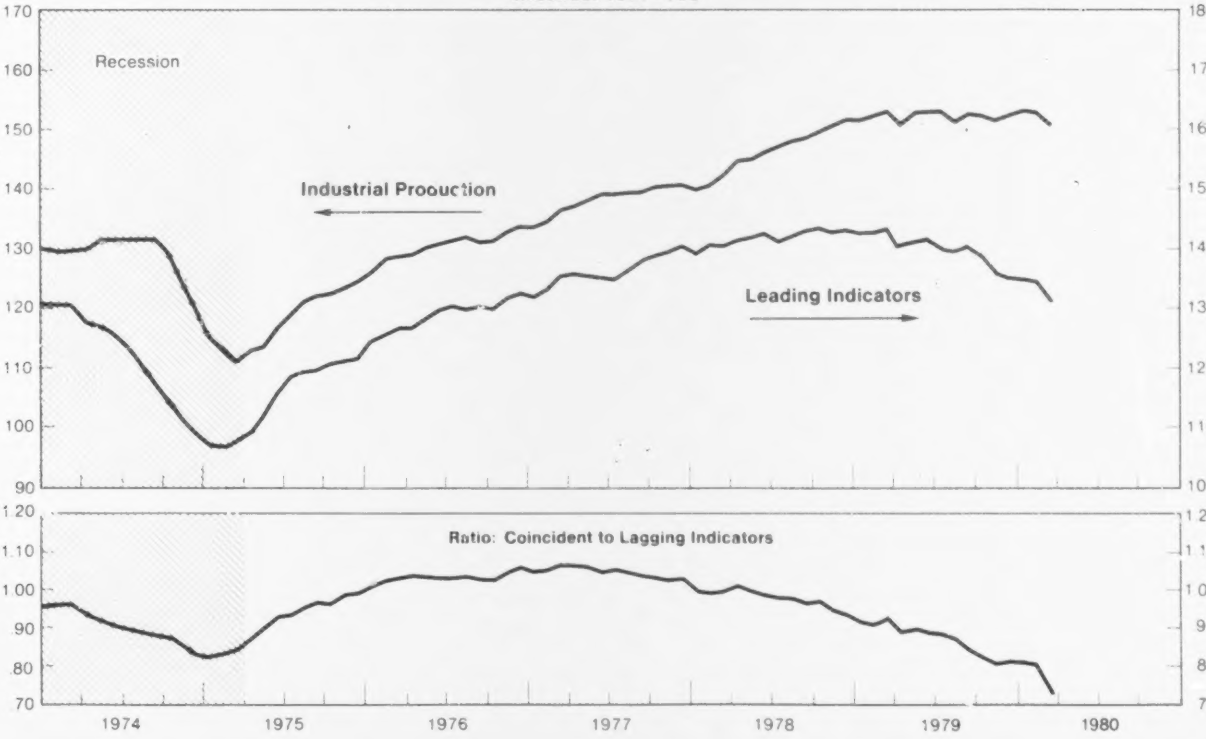
STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Mar.			X	−3.0%	− 8.3%
Capital Investment Commitments						
*Contracts & orders, plant & equipment (deflated)	Mar.			X	− 5.4%	−11.0%
New orders, nondefense capital goods (deflated)	Mar.		X		− 0.9%	−12.3%
*Net business formation	Jan.		X		− 1.8%	− 0.2%
*Housing permits	Mar.			X	−25.1%	−14.5%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Mar.			X	− 3.3%	−15.8%
*Change in inventory, on hand & order (deflated)	Feb.		X		− 0.8%	−33.2%
Purchasing agents' buying policy	Apr.			X	− 6 %	−10 %
*Vendor performance, reported slower deliveries	Mar.			X	− 8.2%	−42.3%
Industrial raw materials prices	Apr.			X	− 4.2%	+ 2.9%
*Change in sensitive prices	Mar.			X	− 0.3%	− 0.1%
Sensitive Financial Flows						
*Money balance (M1-B deflated)	Mar.			X	− 2.4%	− 5.1%
Change in business loans	Apr.			X	−45.2%	−29.3%
*Change in liquid assets	Mar.	X			+ 0.1%	0.0%
Change in consumer installment debt	Feb.		X		+ 6.0%	− 7.8%
Profitability						
Total corporate profits, after tax (deflated)	4th Q.			X	− 1.4%	+ 3.0%
*Common stock prices	Apr.			X	− 7.3%	+ 0.7%
Marginal Employment Adjustments						
*Average workweek, mfg.	Mar.			X	− 0.4hr.	− 1.0hr.
Initial unemployment claims (inverted)	Mar.			X	− 8.1%	−26.8%
*Layoff rate, mfg. (inverted)	Mar.			X	− 0.3	− 0.6

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Business Conditions Digest*, (Washington, D.C.: Government Printing Office) November, 1975, page V.

*These twelve series make up the Composite Leading Index charted below.

Economic Indicators
Indexes: 1967=100



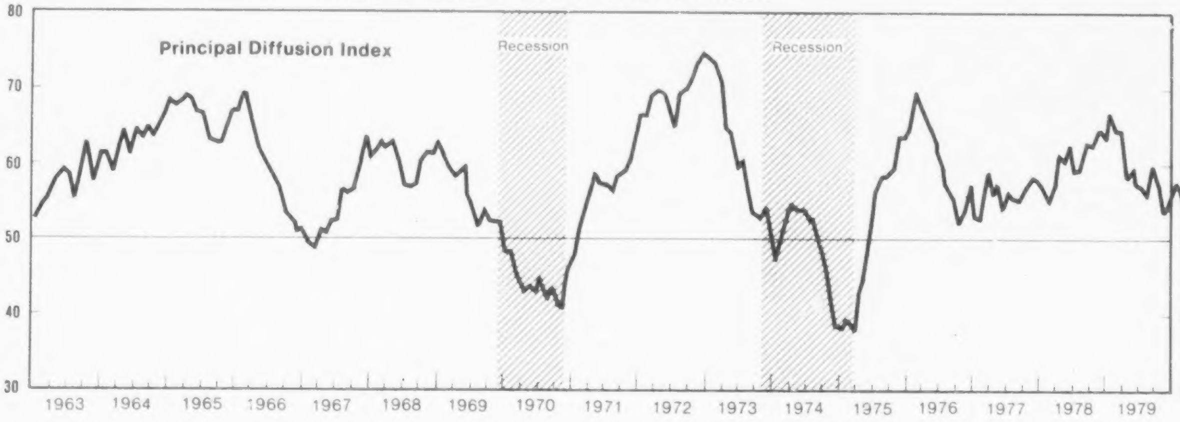
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1979 Mar.	1979 Dec.	1980 Jan.	1980 Feb.	1980 Mar.(e)
Principal Diffusion Index	63.4	55.0	57.3	55.7r	51.0
Auxiliary Diffusion Index	48.0	55.4	57.5	44.6r	34.8
Industrial Group	60.7	48.7	50.7	47.9r	43.7
Nonindustrial Group	66.2	61.4	64.0	63.5	58.3
Sense of Diffusion	1.0	0	1.0	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	72.9	47.4	55.6	55.1r	51.9
Labor	53.3	50.6	49.9	47.6	40.8
Miscellaneous	60.9	45.5	45.5	37.8r	38.5
Nonindustrial Subgroups					
Prices	72.4	67.3	71.8	76.3	64.7
Consumer	85.0	73.1	77.4	76.1r	69.7
Building	53.8	46.2	46.8	39.7r	37.2
Miscellaneous	51.3	56.0	56.8	58.1r	56.8

Note: The principal diffusion index reflects the frequency of upward change in 20 component series over the 12-month period ending in the month indicated. The index is based solely on the direction of change from month to month and not on the magnitude of such changes. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than that of earlier movements. If, for example, ten of the component series had increased and ten had decreased in each of the last twelve months, the current index would register a value of 50. But, because of weighting, the index would be considerably greater than 50, if all the series had increased in each of the last six months and had fallen in each of the first six months of the interval. The index closely coincides with turning points at the peak of a business cycle but tends to lag at troughs. For an explanation of the diffusion indexes and their components, see Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966, pp. 12-15.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1977 Aug.	1977 Nov.	1978 Feb.	1978 May	1978 Aug.	1978 Nov.	1979 Feb.	1979 May	1979 Aug.	1979 Nov.	1980 Feb.
	Score (scale 0-100)										
Measure of Business Confidence	59	52	52	58	49	40	43	41	32	32	40
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	62	48	46	60	58	45	47	47	28	29	36
2. Expectations for Economy, Six Months Ahead	56	49	49	54	42	33	36	33	29	29	38
3. Expectations for Own Industry, Six Months Ahead	60	58	59	60	49	43	46	43	39	38	45

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

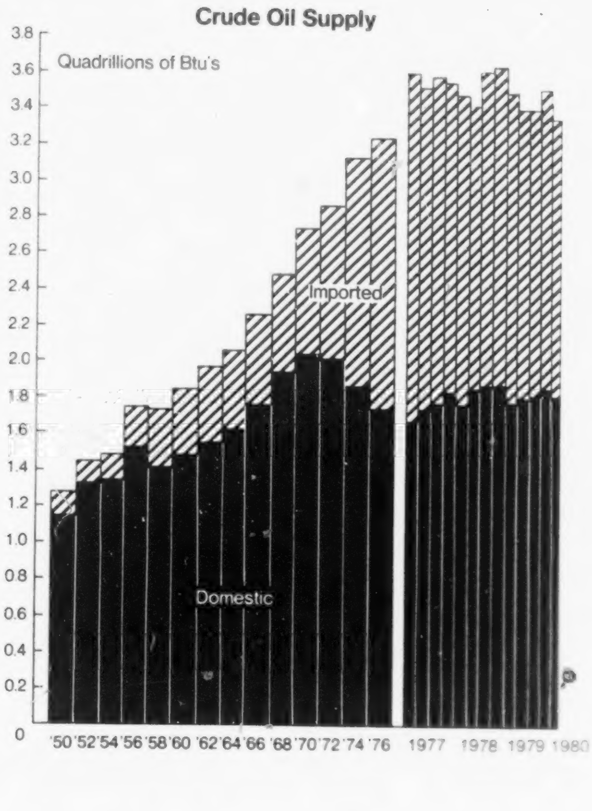
CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

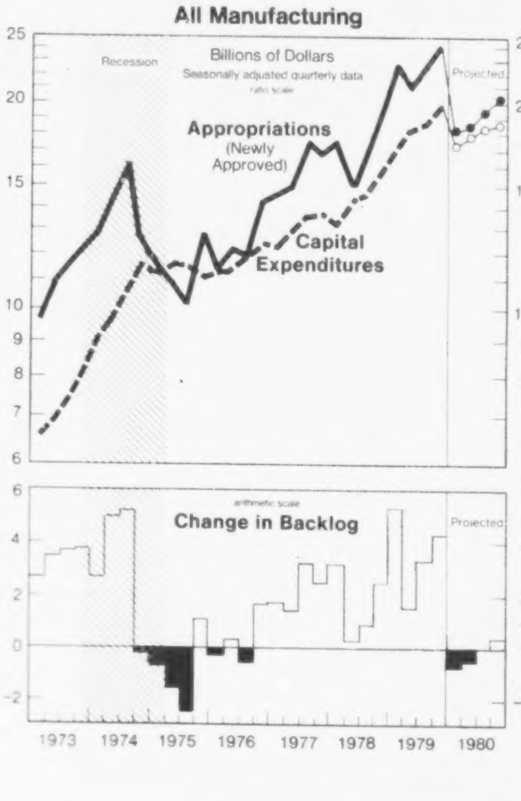
Billions of Dollars, Seasonally Adjusted

	1979			1980				1981			
				PROJECTIONS							
	II	IIIr	IVp	I	II	III	IV	I	II	III	IV
1000 LARGEST MANUFACTURING FIRMS											
Newly approved	21.033	22.552	24.517	18.2	18.6	19.6	20.2	20.7	21.3	21.9	22.3
Capital expenditures	18.027	18.678	20.095	17.3	17.9	18.3	18.6	18.6	18.9	18.9	19.1
Change in appropriations backlog	+1.468	+3.431	+4.269	−0.7	−0.5	0.0	+0.3	+0.8	+1.1	+1.7	+1.9
Durable Goods											
Newly approved	10.672	10.384	12.153	8.4	8.3	8.3	8.5	8.8	9.1	9.3	9.6
Capital expenditures	8.379	9.126	9.721	8.7	8.6	8.6	8.3	8.1	7.7	7.6	7.5
Change in appropriations backlog	+1.970	+1.182	+2.555								
Nondurable Goods											
Newly approved	10.361	12.168	12.364	9.8	10.2	11.3	11.8	11.9	12.2	12.6	12.7
Capital expenditures	9.648	9.552	10.374	8.7	9.3	9.7	10.2	10.6	11.2	11.3	11.5
Change in appropriations backlog	−0.502	+2.249	+1.714								
ELECTRIC & GAS UTILITIES											
Appropriations	6.763r	10.913	8.809								
Capital expenditures	7.149r	7.139	6.994								
Change in appropriations backlog	−1.737r	+3.276	−7.236								

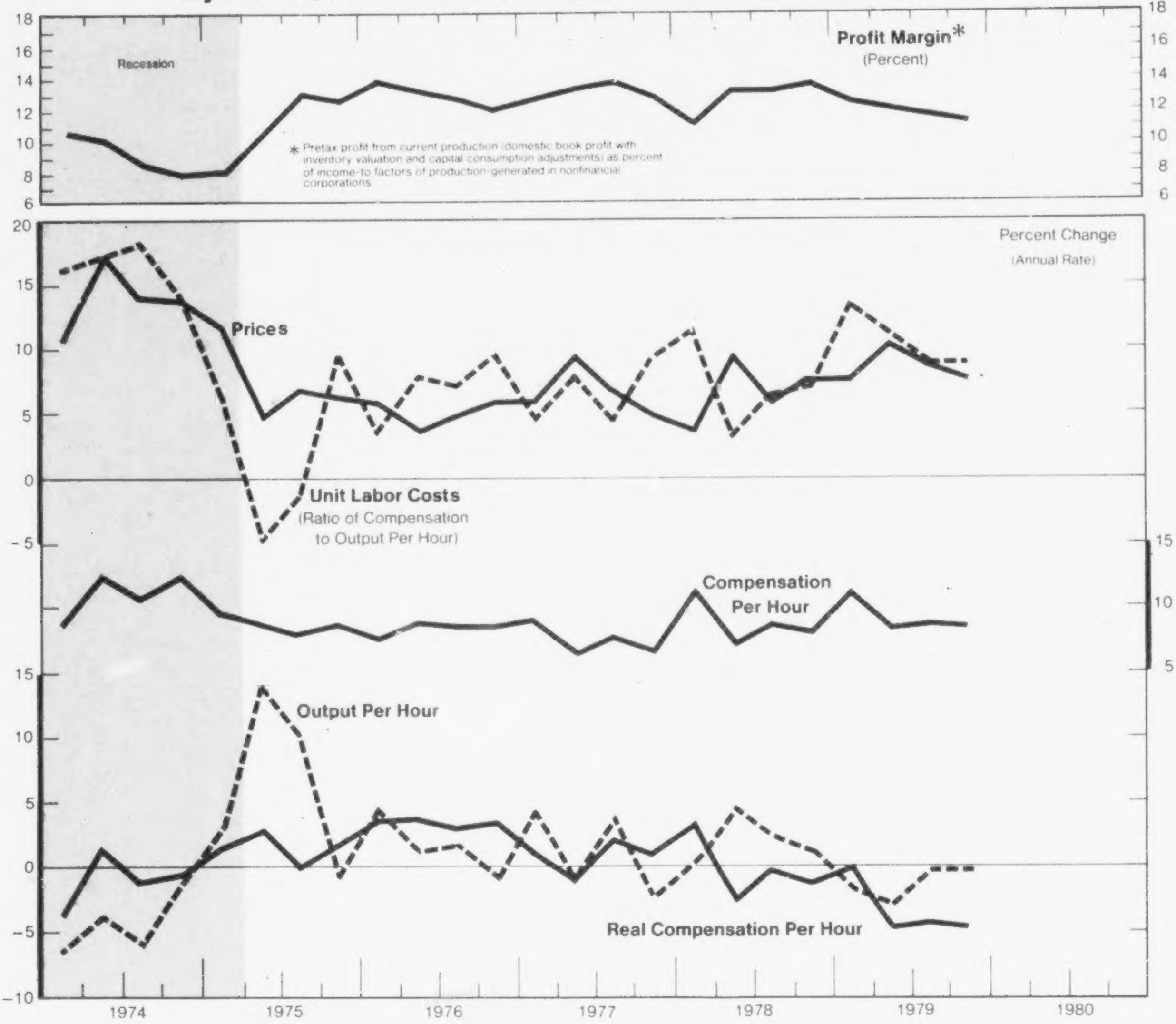
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request. Projections are based on The Conference Board's capital appropriations forecasting model. Data for utilities are revised for 1978 and 1979.

r—revised p—preliminary



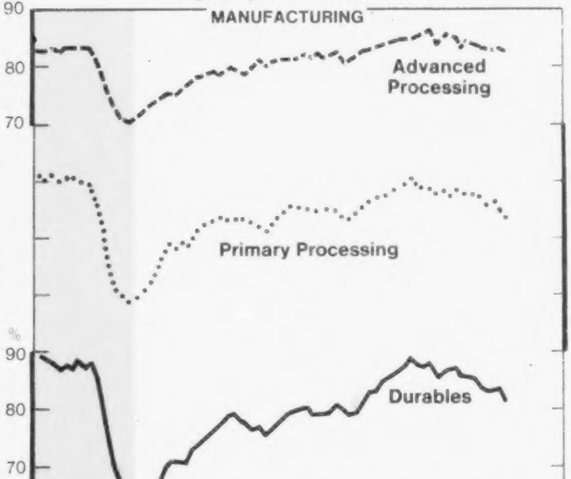


Key Determinants of Profit Margin, Nonfinancial Corporations

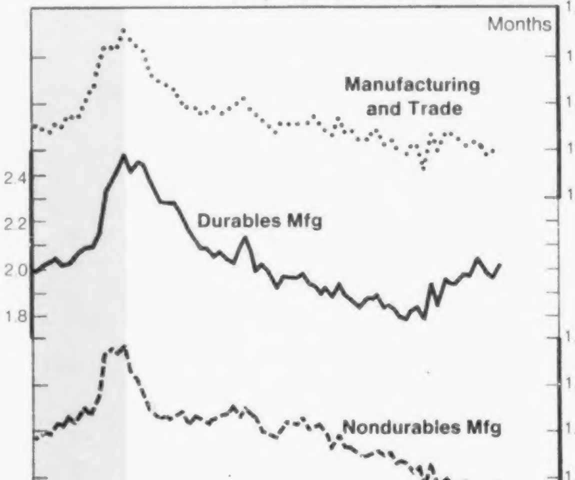


* Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income-to factors of production-generated in nonfinancial corporations

Capacity Utilization Rates



Inventory-Sales Ratios



Seasonally Adjusted

ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		Kent Economic Institute[2]		Michigan Research Seminar in Quantitative Economics[1]	
Date of Forecast			*April, 1980*		*April, 1980*		*April, 1980*		*April, 1980*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Current Dollars										
Actual	**1980**	**I**	**$2520.3**	**10.7%**	**$2520.3**	**10.7%**	**$2520.3**	**10.7%**		
Forecast	1980	II	2560.1	6.5	2537.9	2.8	2591.6	11.8	$2581.3	7.9%
		III	2582.6	3.6	2544.9	1.1	2684.1	15.1	2639.2	9.3
		IV	2613.0	4.8	2585.9	6.6	2775.4	14.3	2693.0	8.4
	1981	I	2667.7	8.6	2628.1	6.7	2851.7	11.5	2740.4	7.2
		II	2741.1	11.5	2704.5	12.1	2937.8	12.6	2798.2	8.7
		III	2828.2	13.3	2786.3	12.7	3054.7	16.9	2865.0	9.9
		IV	2930.7	15.3	2877.9	13.8	3120.8	8.9		
	1982	I			2962.6	12.3	3218.8	13.2		
	1980	Annual	2569.0	8.5	2547.2	7.5	2642.8	11.6	2611.5	10.2
	1981	Annual	2791.9	8.7	2749.2	7.9	2991.2	13.2		
Gross National Product Constant (1972) Dollars										
Actual	**1980**	**I**	**$1444.2**	**1.1%**	**$1444.2**	**1.1%**	**$1444.2**	**1.1%**		
Forecast	1980	II	1435.4	−2.4	1425.6	−5.1	1439.0	−1.4	$1435.3	−3.2%
		III	1411.8	−6.4	1401.3	−6.6	1439.8	0.2	1432.3	−0.8
		IV	1396.9	−4.1	1394.9	−1.8	1443.1	0.9	1430.0	−0.6
	1981	I	1399.1	0.6	1393.2	−0.5	1457.8	4.1	1427.4	−0.7
		II	1409.5	3.0	1410.7	5.1	1470.4	3.5	1429.2	0.5
		III	1426.8	5.0	1430.9	5.9	1484.3	3.8	1436.1	1.9
		IV	1450.0	6.7	1450.1	5.5	1490.2	1.6		
	1982	I			1466.2	4.5	1498.5	2.2		
	1980	Annual	1422.1	0.7	1416.5	−1.1	1441.5	−0.7	1436.2	0.3
	1981	Annual	1421.4	0.0	1421.2	0.3	1475.7	2.4		
Gross National Product Deflator Index, 1972 = 100										
Actual	**1980**	**I**	**174.5**	**9.5%**	**174.5**	**9.5%**	**174.5**	**9.5%**		
Forecast	1980	II	178.4	9.1	178.0	8.3	180.1	13.4	179.8	11.5
		III	182.9	10.7	181.6	8.3	186.4	14.8	184.3	10.2
		IV	187.1	9.3	185.4	8.6	192.3	13.3	188.3	9.1
	1981	I	190.7	8.0	188.6	7.2	195.6	7.0	192.0	3.0
		II	194.5	8.2	191.7	6.7	199.8	8.8	195.8	8.2
		III	198.2	7.9	194.7	6.4	205.8	12.6	199.5	7.8
		IV	202.1	8.1	198.5	7.9	209.4	7.2		
	1982	I			202.1	7.5	214.8	10.7		
	1980	Annual	180.7	9.2	179.9	8.7	183.3	10.5	181.9	9.9
	1981	Annual	196.4	8.7	193.4	7.5	202.7	10.5		
Unemployment Rate										
Actual	**1980**	**I**	**6.1%**		**6.1%**		**6.1%**			
Forecast	1980	II	7.2		7.2		6.6		6.5%	
		III	8.0		8.0		6.8		7.0	
		IV	8.7		8.7		6.7		7.4	
	1981	I	9.0		9.3		6.6		7.8	
		II	9.0		9.4		6.5		8.2	
		III	8.9		9.2		6.5		8.4	
		IV	8.6		8.9		6.4			
	1982	I			8.5		6.3			
	1980	Annual	7.5		7.5		6.6		6.8	
	1981	Annual	8.9		9.2		6.5			

Notes. Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (second revision) 4th quarter data.

[2] Based on preliminary first quarter data.

ECONOMIC FORECASTS (continued)

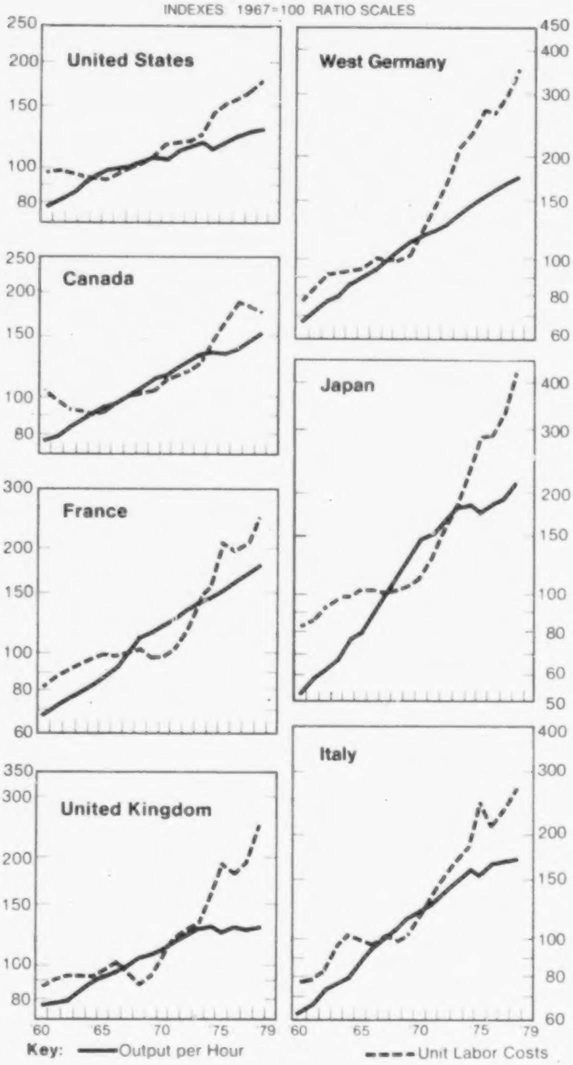
The Conference Board[2]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
April, 1980		*April, 1980*		*April, 1980*		*April, 1980*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Current Dollars		
$2520.3	**10.7%**	**$2520.3**	**10.7%**	**$2520.3**	**10.7%**	**$2520.3**	**10.7%**	I	**1980**	**Actual**
2520.0	0.0	2545.9	4.1	2553.2	5.3	2555.0	5.6	II	1980	Forecast
2538.0	2.9	2561.6	2.5	2597.6	7.1	2600.0	7.2	III		
2570.0	5.1	2609.6	7.7	2654.6	9.1	2658.4	9.3	IV		
2627.0	9.2	2686.2	12.3	2718.2	9.9	2736.6	12.3	I	1981	
2725.0	15.8	2769.8	13.0	2806.7	13.7	2804.9	10.4	II		
2800.0	11.5	2844.6	11.2	2920.6	17.2	2881.0	11.3	III		
2878.0	11.6	2933.9	13.2	3033.3	16.4	2968.8	12.8	IV		
		3015.6	11.6	3133.2	13.8	3054.5	12.1	I	1982	
2537.1	7.1	2559.3	8.0	2581.4	9.0	2583.4	9.1	Annual	1980	
2757.5	8.7	2808.6	9.7	2869.7	11.2	2847.8	10.2	Annual	1981	
								Gross National Product Constant (1972) Dollars		
$1444.2	**1.1%**	**$1444.2**	**1.1%**	**$1444.2**	**1.1%**	**$1444.2**	**1.1%**	I	**1980**	**Actual**
1412.6	−8.5	1423.0	−5.7	1426.3	−4.9	1435.0	−2.5	II	1980	Forecast
1394.7	−5.0	1402.3	−5.7	1414.5	−3.3	1428.7	−1.7	III		
1385.8	−2.5	1398.9	−1.0	1409.7	−1.4	1426.7	−0.6	IV		
1391.2	1.6	1404.8	1.7	1408.9	−0.2	1433.4	1.9	I	1981	
1416.8	7.6	1414.9	2.9	1420.0	3.2	1438.5	1.4	II		
1430.6	4.0	1424.1	2.6	1442.7	6.5	1448.4	2.8	III		
1444.9	4.1	1435.6	3.3	1461.2	5.2	1461.7	3.7	IV		
		1444.9	2.6	1474.9	3.8	1475.5	3.8	I	1982	
1409.3	−1.6	1417.1	−1.0	1423.7	−0.6	1433.6	0.1	Annual	1980	
1420.9	0.8	1419.8	0.2	1433.2	0.7	1445.5	0.8	Annual	1981	
								Gross National Product Deflator Index, 1972 = 100		
174.5	**9.5%**	**174.5**	**9.5%**	**174.5**	**9.5%**	**174.5**	**9.5%**	I	**1980**	**Actual**
178.4	9.2	178.9	10.5	179.0	10.7	178.0	8.4	II	1980	Forecast
182.0	8.3	182.7	8.7	183.6	10.8	182.0	9.1	III		
185.5	7.9	186.5	8.8	188.3	10.6	186.3	9.9	IV		
188.8	7.5	191.2	10.4	192.9	10.2	190.9	10.2	I	1981	
192.3	7.6	195.8	9.8	197.7	10.2	195.0	8.8	II		
195.7	7.2	199.7	8.4	202.4	10.0	198.9	8.3	III		
199.2	7.3	204.4	9.6	207.6	10.6	203.1	8.7	IV		
		208.7	8.8	212.4	9.7	207.0	7.9	I	1982	
180.1	8.8	180.7	9.2	181.4	9.6	180.2	8.9	Annual	1980	
194.0	7.7	197.8	9.5	200.2	10.4	197.0	9.3	Annual	1981	
								Unemployment Rate		
6.1%		**6.1%**		**6.1%**		**6.1%**		I	**1980**	**Actual**
7.3		6.8		6.6		6.5		II	1980	Forecast
8.2		7.5		7.0		6.9		III		
8.4		8.1		7.4		7.2		IV		
8.2		8.3		7.8		7.3		I	1981	
7.8		8.2		8.0		7.5		II		
7.7		8.2		8.0		7.5		III		
7.5		8.1		7.9		7.4		IV		
		7.9		7.7		7.2		I	1982	
7.5		7.1		6.8		6.7		Annual	1980	
7.8		8.2		7.9		7.4		Annual	1981	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

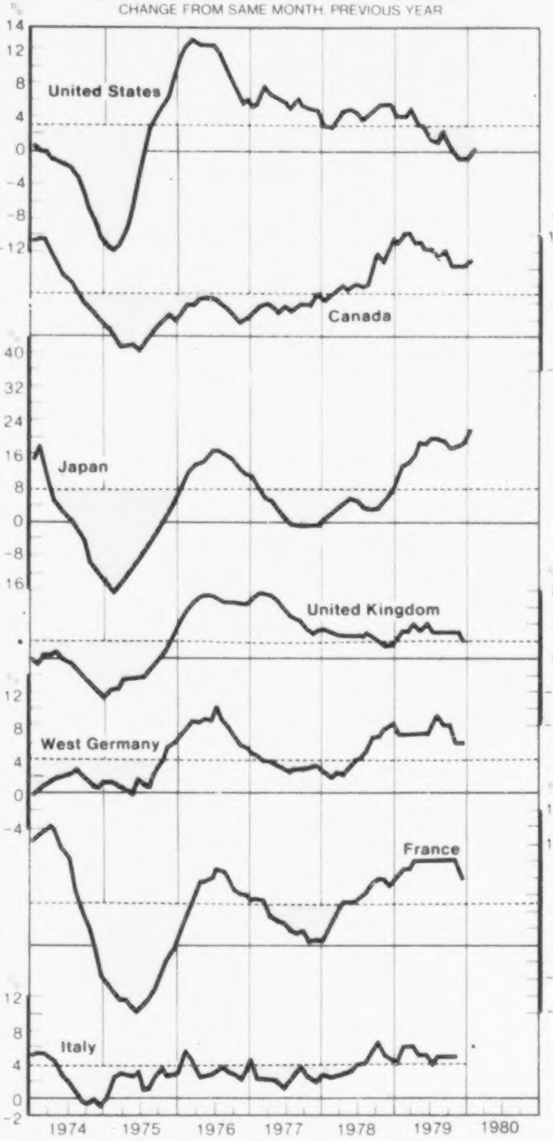
PRODUCTIVITY AND COSTS

INDEXES 1967=100 RATIO SCALES

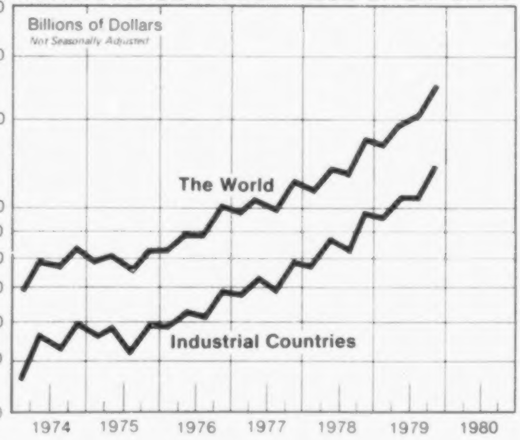


LEADING BUSINESS CYCLE INDEXES

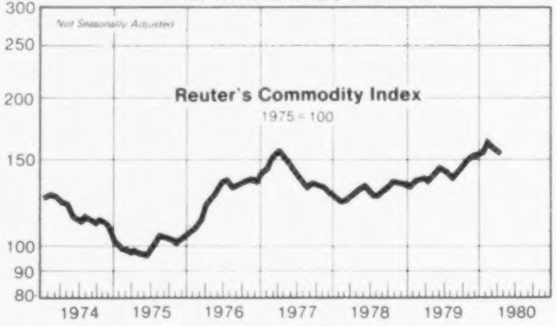
CHANGE FROM SAME MONTH PREVIOUS YEAR



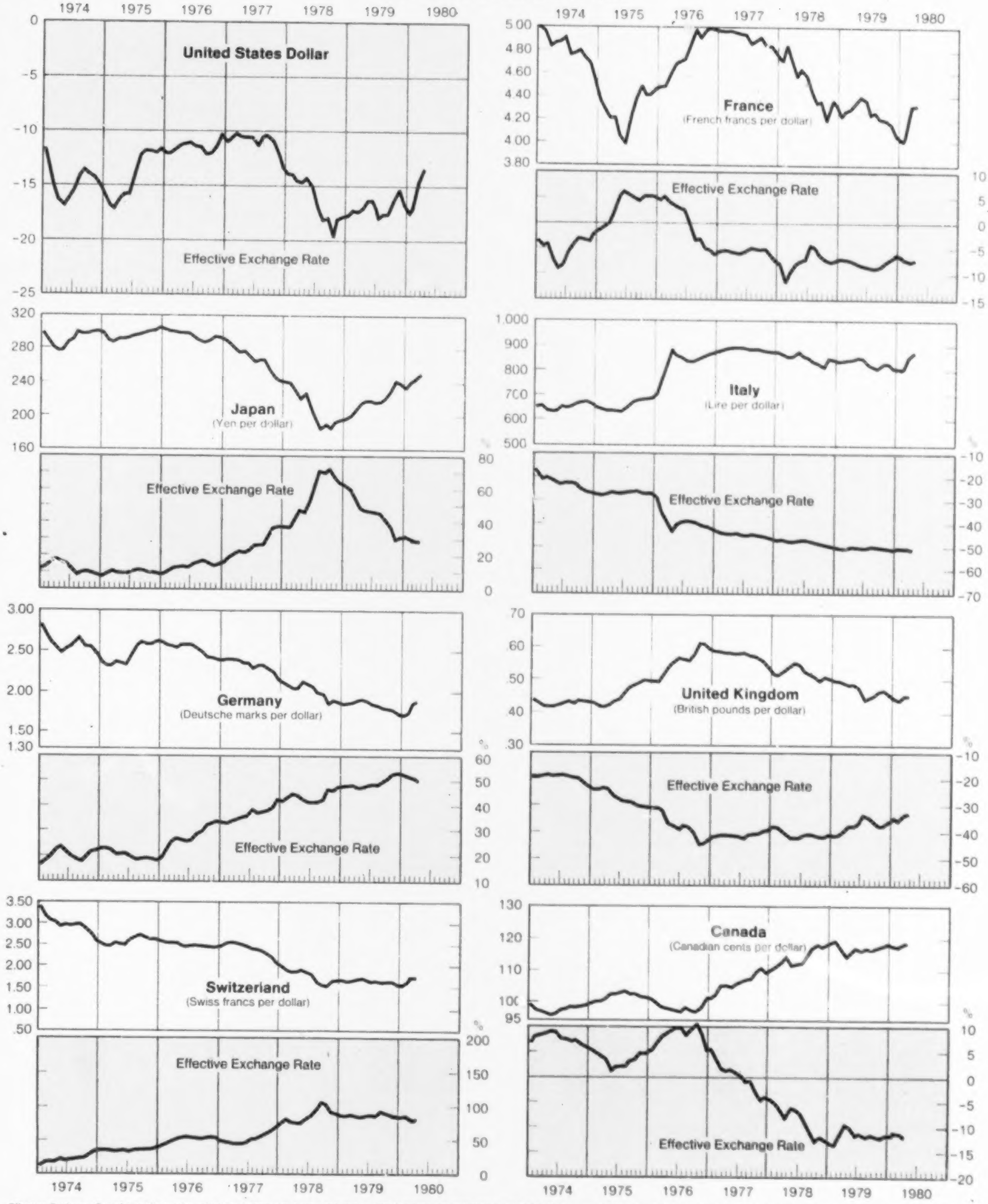
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies weighted according to the average bilateral manufactures trade of 1976. changes are in percent from pre-June 1970 parities based on monthly averages of daily rates

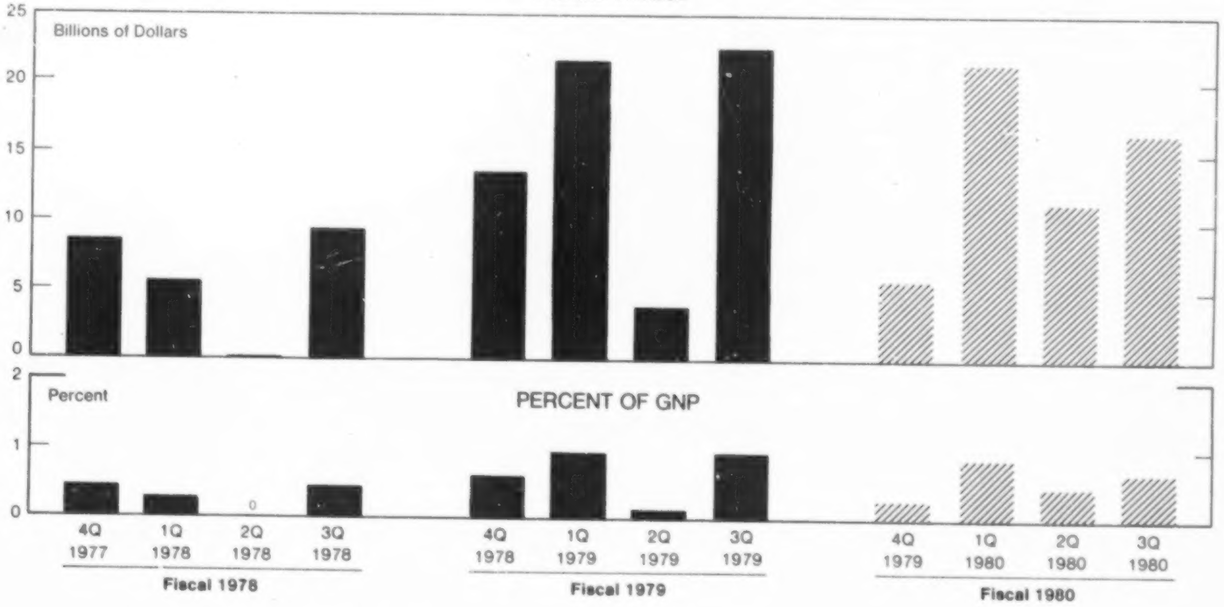
Source: Morgan Guaranty Trust

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1980			Fiscal 1981		
	Current Services (1/22/79)	Revised President's Proposal (1/28/80)	Latest President's Proposal (3/31/80)	Current Services (1/28/80)	Initial Proposal (1/28/80)	Latest President's Proposal (3/31/80)
Receipts	$504.5	$523.8	$532.4	579.0	600.0	628.0
Outlays	536.1	563.6	568.9	612.0	615.8	611.5
Deficit	−31.6	−39.8	−36.5	−33.0	−15.8	+ 16.5
Receipts by source	504.5	523.8	532.4	579.0	600.0	628.0
Individual income taxes	229.6	238.7	241.5	273.3	274.4	279.9
Corporate income taxes	71.0	72.3	74.2	74.7	71.6	74.1
Social insurance	161.2	162.2	163.5	186.0	187.4	188.9
Other receipts	42.7	50.6	53.2	45.0	66.6	85.1
Outlays by function	536.1	563.6	568.9	612.0	615.8	611.5
Income security	179.5	190.9	190.0	219.9	220.0	220.1
National defense	125.5	130.4	134.0	142.4	146.2	150.5
Health	55.1	56.6	56.5	63.4	62.4	61.9
Education and manpower	31.0	30.7	30.1	32.5	32.0	30.6
Veterans' benefits	20.4	20.8	20.7	21.7	21.7	21.4
Transportation	18.0	19.6	20.5	20.1	20.2	19.0
Natural resources and environment	11.8	12.8	12.8	12.8	12.8	12.5
Revenue sharing	9.2	8.7	8.8	8.5	9.6	7.4
International affairs	7.9	10.4	11.1	9.6	9.6	10.1
Community development	7.2	8.5	9.0	8.5	8.8	8.5
Energy	8.0	7.8	6.8	7.1	8.1	6.9
General science	5.4	5.9	5.9	6.3	6.4	6.2
General government	4.2	4.9	4.8	4.9	4.9	4.8
Justice	4.3	4.5	4.6	4.7	4.7	4.6
Agriculture	5.0	4.6	5.1	3.2	2.8	2.0
Commerce and housing credit	3.4	5.5	6.2	0.8	0.7	0.4
Interest	57.1	63.3	64.3	68.4	67.2	68.4
Allowances	2.1	0.1	—	2.4	2.6	1.4
Undistributed offsetting receipts	−19.0	−22.3	−22.2	−25.1	−25.2	−24.9

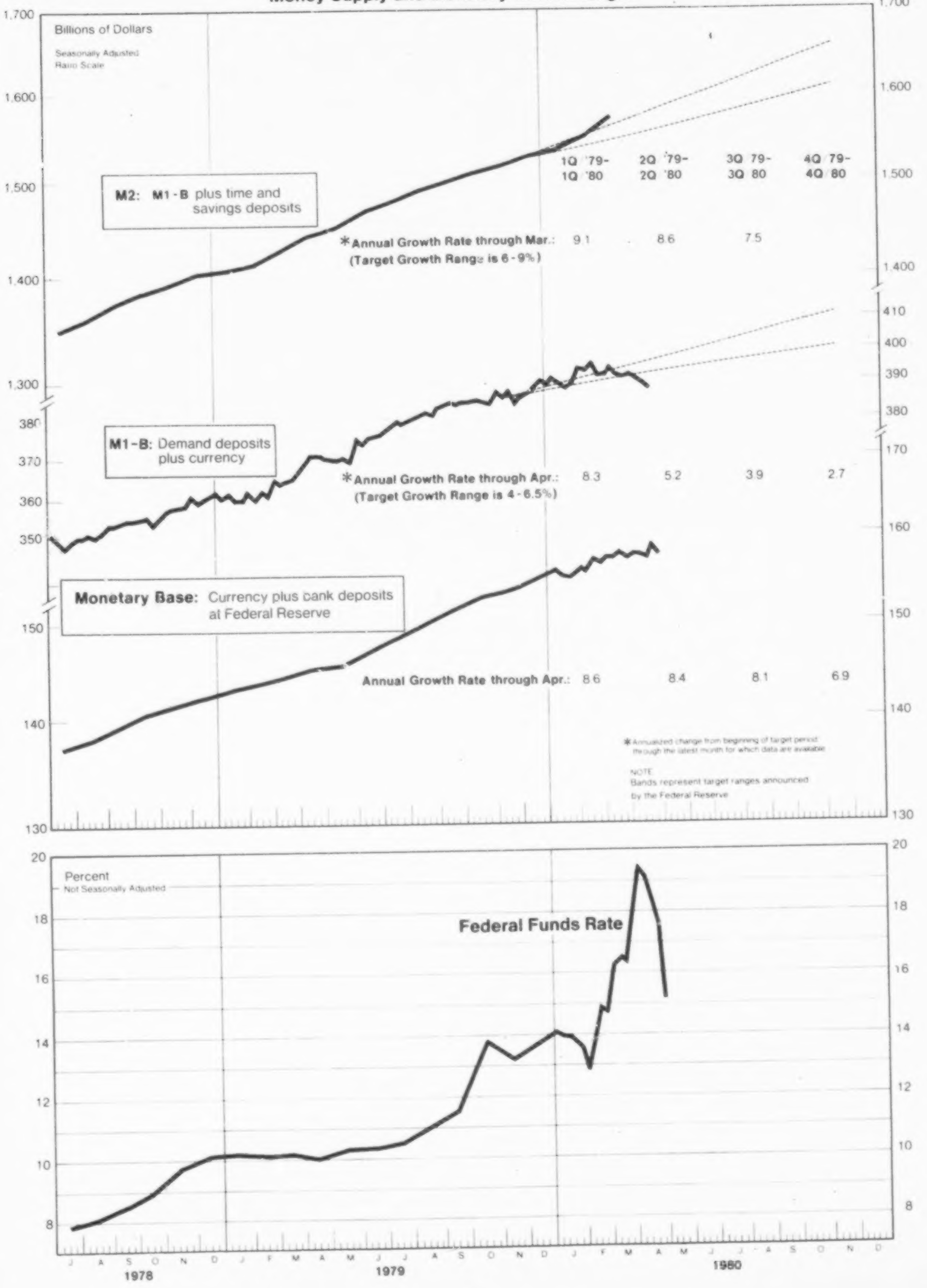
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy*, Fiscal 1977, No. 2, The Conference Board, New York 1976.

Money Supply and Monetary Growth Targets



*Annualized change from beginning of target period through the latest month for which data are available

NOTE
Bands represent target ranges announced by the Federal Reserve

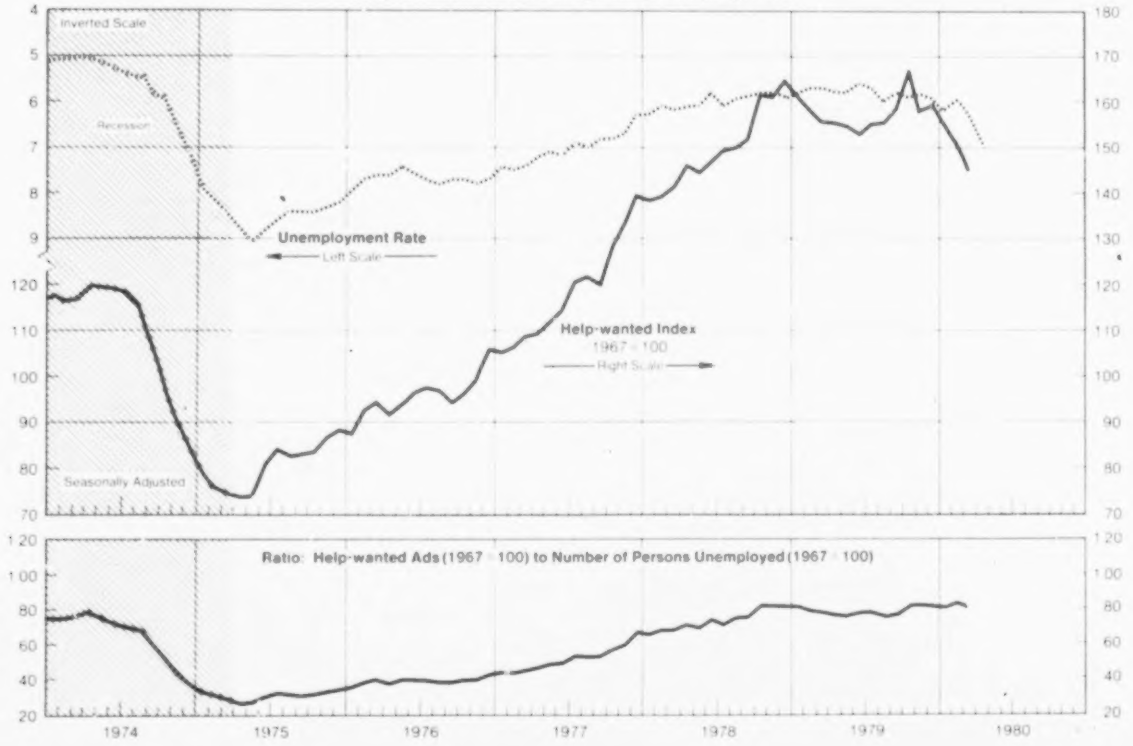
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1980			1979
	Mar.	Feb.	Jan.	Mar.
Total index 51 papers	145	151	154	156
New England	134	142	142	132
Boston	141	151	147	138
Hartford	160	161	168	146
Providence	86	95	99	101
Middle Atlantic	67	70	72	67
Albany	103	106	108	101
Allentown	123	148	179	156
New York	58	60	59	52
Philadelphia	59	63	65	61
Pittsburgh	98	100	100	108
Rochester	66	66	74	80
Syracuse	78	85	93	93
East North Central	93	102	104	128
Chicago	87	96	103	115
Cincinnati	133	150	143	172
Cleveland	92	100	94	125
Columbus	134	152	155	166
Dayton	83	88	89	102
Detroit	68	73	74	108
Gary	132	125	135	184
Indianapolis	109	120	121	158
Milwaukee	93	101	98	133
Toledo	116	124	129	156
West North Central	114	120	121	136
Kansas City	135	141	143	165
Minneapolis	137	146	146	147
Omaha	138	134	141	180
St. Louis	72	78	76	95
South Atlantic	155	162	160	159
Atlanta	231	243	245	226
Baltimore	99	107	106	103
Charlotte	136	134	145	148
Jacksonville	132	128	131	128
Miami	177	165	167	178
Richmond	102	113	109	117
Washington, D.C.	154	170	161	163
East South Central	138	146	152	166
Birmingham	150	162	174	180
Knoxville	236	215	226	224
Louisville	87	99	95	113
Memphis	109	127	132	126
Nashville	162	168	177	227
West South Central	297	293	311	295r
Dallas	286	258	274	258
Houston	420	432	464	425
New Orleans	194	204	194	205
Oklahoma City	228	216	240	248r
San Antonio	189	192	189	185
Tulsa	247	232	262	251
Mountain	319	338	356	361
Denver	272	291	297	305
Phoenix	367	378	404	415
Salt Lake City	342	372	402	394
Pacific	225	231	233	216
Los Angeles	204	211	211	191
Sacramento	314	338	313	308
San Bernardino	156	174	182	174
San Diego	344	360	369	349
San Francisco	220	215	225	204
Seattle	242	247	253	249
Percentage of papers with rising volume	20%	24%	20%	37%
Unemployment rate	6.2%	6.0%	6.2%	5.7%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100

(Seasonally Adjusted)

Consumer Confidence Index

	Jan	Feb.	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1978	105.2	103.8	97.3	96.9	88.8	92.5	88.8	91.4	95.4	101.4	91.8	94.0
1979	91.7	91.4	84.9	82.2	80.8	78.5	70.0	69.0	78.2	83.6	83.0	80.8
1980	79.1	76.4	71.5r	53.2p								

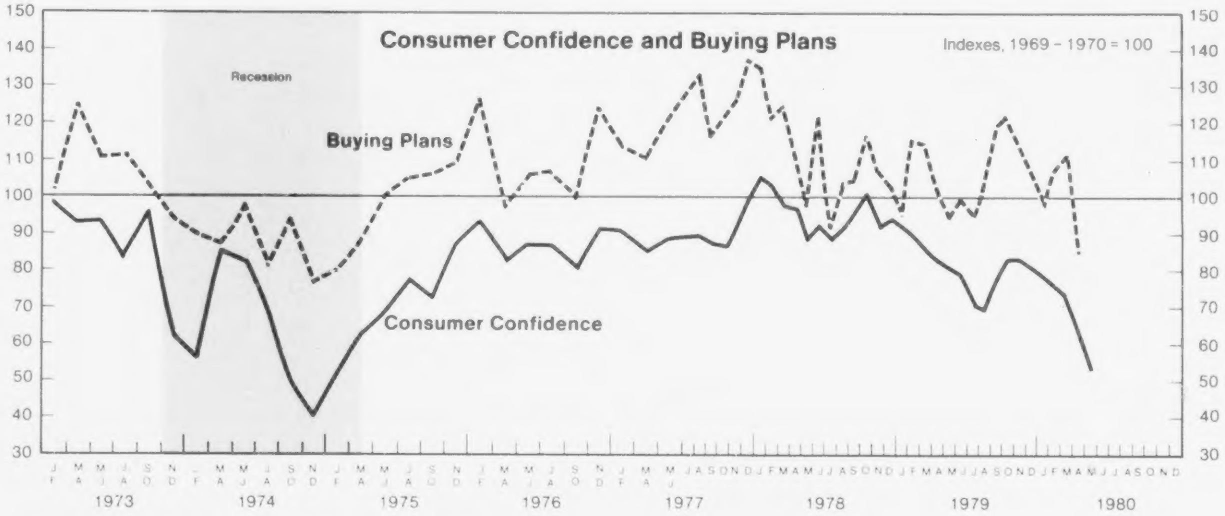
Buying Plans Index

	Jan	Feb.	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1978	134.3	120.7	124.3	109.5	97.1	121.7	91.2	104.0	104.2	116.9	106.4	103.1
1979	95.1	115.4	114.4	100.6	95.4	99.6	94.6	101.7	119.4	121.9	113.4	107.2
1980	99.2	107.0	116.4r	86.3p								

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

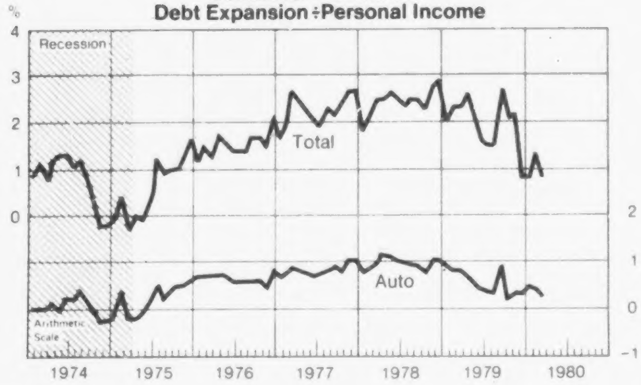
Billions of Dollars; Quarterly Data are Seasonally Adjusted at Annual Rates

		Aggregate Purchasing Power	Discretionary Purchasing Power	Discretionary Saving	Discretionary Spending	Discretionary Purchasing Power as % of Aggregate	Discretionary Spending as % of Aggregate	Discretionary Spending as % of Discretionary Purchasing Power
1975	I	$1075.2	$399.5	$ 67.5	$332.0	37.2%	30.9%	83.1%
	II	1155.6	469.7	125.2	344.5	40.6	29.8	73.3
	III	1160.5	453.4	125.8	327.6	39.1	28.2	72.3
	IV	1220.9	485.4	118.8	366.6	39.8	30.0	75.5
1976	I	1258.3	499.9	133.5	366.4	39.7	29.1	73.3
	II	1288.1	507.0	120.3	386.7	39.4	30.0	76.3
	III	1308.4	514.5	125.5	389.0	39.3	29.7	75.6
	IV	1343.4	533.7	118.2	415.5	39.7	30.9	77.9
1977	I	1394.3	560.4	139.4	421.0	40.2	30.2	75.1
	IIr	1432.2	583.3	143.2	440.1	40.7	30.7	75.4
	IIIr	1520.5	602.0	171.0	431.0	39.6	28.3	71.6
	IVr	1526.1	624.9	146.1	478.8	40.9	31.4	76.6
1978	Ir	1559.9	648.3	141.4	506.9	41.6	32.5	78.2
	IIr	1633.1	680.8	176.8	504.0	41.7	30.9	74.0
	IIIr	1672.4	693.1	184.2	508.9	41.4	30.4	73.4
	IVr	1701.4	690.9	150.3	540.6	40.6	31.8	78.2
1979	Ip	1746.1	712.2	149.5	562.7	40.8	32.2	79.0

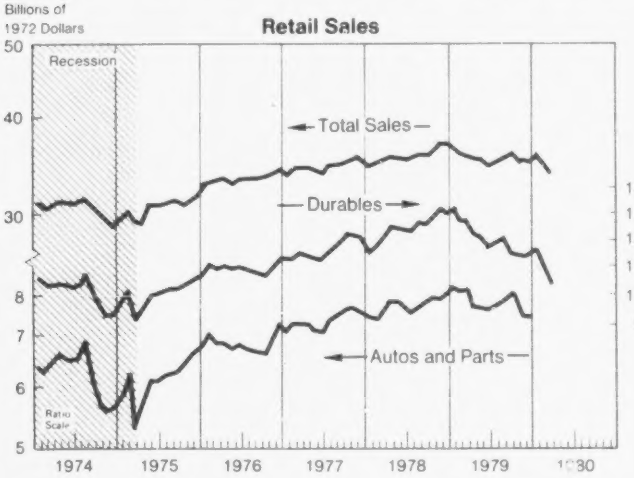
Note: For an explanation of discretionary purchasing power and spending, see Morton Ehrlich, *Discretionary Spending*, (The Conference Board, 1966).

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



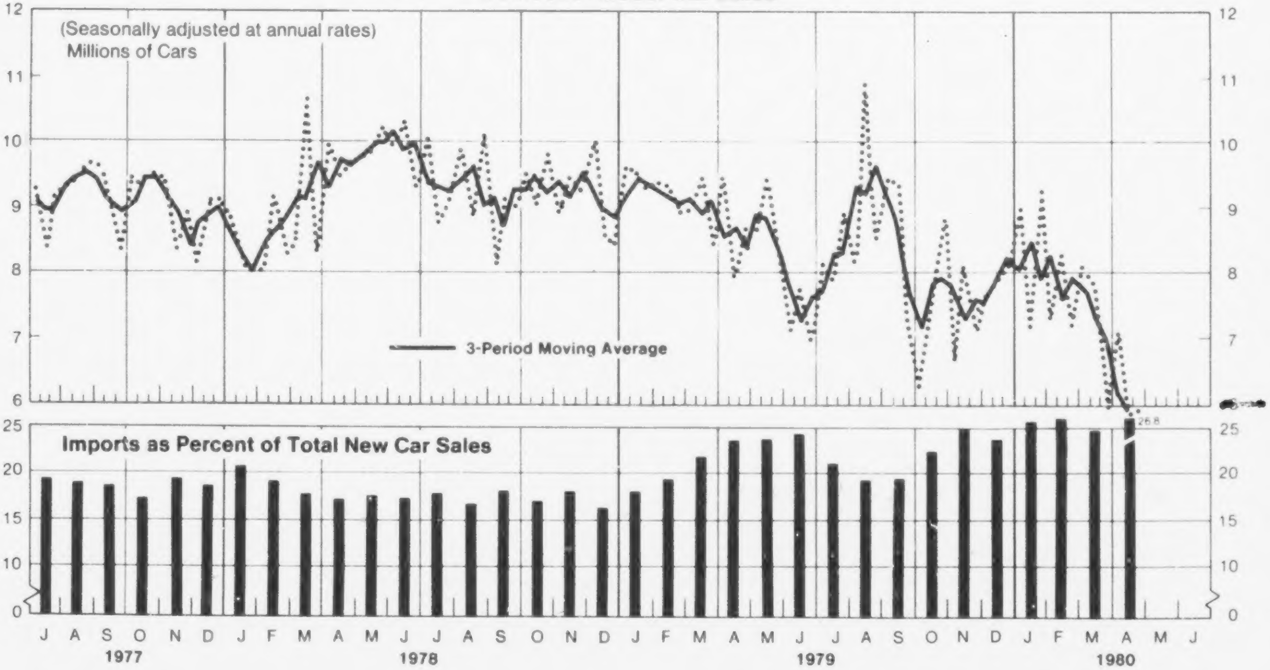
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1977	1978	1979	1980
January:	1-10	9.25	8.86	9.60	8.97
	11-20	9.51	8.03	9.55	7.19
	21-31	8.68	8.03	9.11	9.23
February:	1-10	9.83	8.00	9.20	7.28
	11-20	8.20	9.15	9.13	8.28
	21-28(29)	9.10	8.35	8.82	7.20
March:	1-10	9.86	8.49	8.83	8.11
	11-20	7.81	10.62	9.32	7.84
	21-31	9.69	8.32	8.29	5.98
April:	1-10	7.88	9.96	9.28	7.05
	11-20	9.25	9.44	7.79	5.27
	21-30	9.00	9.64	8.44	5.38
May:	1-10	9.21	9.72	8.63	
	11-20	8.84	9.85	7.44	
	21-31	9.04	10.22	8.42	
June:	1-10	9.75	9.94	7.12	
	11-20	9.31	10.38	7.70	
	21-30	9.60	9.36	6.93	
July:	1-10	9.25	10.04	8.16	
	11-20	8.30	8.69	7.87	
	21-31	9.18	9.15	8.94	
August:	1-10	9.26	9.89	8.17	
	11-20	9.38	8.89	10.88	
	21-31	9.62	10.07	8.57	
September:	1-10	9.60	8.14	9.44	
	11-20	9.14	9.07	9.34	
	21-30	8.31	9.02	7.26	
October:	1-10	9.45	9.57	6.24	
	11-20	9.31	9.08	8.04	
	21-31	9.50	9.82	8.64	
November:	1-10	9.46	8.92	6.65	
	11-20	8.34	9.44	8.07	
	21-30	8.91	9.24	7.08	
December:	1-10	8.06	10.00	7.63	
	11-20	9.07	8.57	7.83	
	21-31	9.07	8.41	8.06	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.

Domestic-Model Car Sales



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STATISTICAL BULLETIN

Volume 13 No. 6, June, 1980

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THE CONFERENCE BOARD

STATISTICAL REFERENCE INDEX
ACQUISITIONS
7101 WISCONSIN AVE., SUITE 900
WASHINGTON, D. C. 20014

comment

Although the widely anticipated recession failed to develop last year, activity was hardly robust. The auto and housing industries both developed recessionary symptoms and it seemed likely that these conditions would spread throughout the economy. Indeed, business investment in new plant and equipment supplied much of what strength there was in the economy in 1979. The recession finally got under way earlier this year, with indications that it would develop at a rapid pace and that the impact on labor markets would be quite sharp.

A relatively low inventory/sales ratio was maintained throughout the 1975-1979 expansion (see chart on page 7), and record-high interest rates earlier this year blunted any sizable run-up in inventories around the business-cycle peak. As the economy moves past the cyclical peak—now said to have occurred in January, 1980—some undesired inventory buildup is taking place but the decline in production is likely to be closely related to weakening in final sales.

In the expansion of 1975-79, employment rose almost as fast as real output; that is, productivity gains were sluggish at best (see the *Key Determinants of Profit Margins* chart). The decline in production, then, is likely to result in sizable layoffs leading to sharp increases in unemployment.

Consumer market activity has fallen sharply in the first half of 1980. Retail sales, adjusted for inflation, were 8.1% lower in April than in January. As indicated on the *Key Determinants of Profit Margins* chart, real compensation per hour continued to decline in the first quarter of 1980, an indication that purchasing power is still losing ground to inflation. Also, consumer buying on credit has significantly slowed since last Fall. The ratio of installment debt expansion to personal income was essentially flat from December to March; but repayments actually exceeded new extensions in April. Finally, consumer attitudes have been deteriorating throughout the Winter and early Spring months. The Conference Board's *Consumer Confidence Index* was not much higher in May than the level recorded at the bottom of the last recession in late 1974.

It has been something of a surprise that business investment remained as strong as it did through 1979, despite a steady erosion of strength in consumer markets as well as successive hikes in interest rates. One explanation might be the fact that some firms revised their 1980 outlook upwards in the belief that the recession—first projected in mid-1978—which did not occur in 1979 was unlikely to develop in 1980 either. The Conference Board's survey of *Capital Appropriations and Expenditures* by the nation's 1,000 largest manufacturers showed substantial rises in appropriations and spending in the first quarter of 1980. Moreover, the survey respondents' expectations for 1980 strengthened between January and April. That is, capital spending projections for the year 1980 as a whole actually were revised upward precisely during the period when activity was beginning to contract. On the other hand, a later survey—taken by the Commerce Department in late April and early May, covering a broader spectrum of businesses—showed expected 1980 spending to be lower than in an earlier Commerce Department survey taken in January-February. In any event, it seems clear that business investment in plant and equipment will hold up relatively well in this recession compared with past experience, in good part because problems of obsolescence are being exacerbated by the rising cost of energy.

In just the first three months of the recession, industrial production declined by 2.7%. The capacity utilization measures, which were still around the 85% mark in January, were down to 79 to 81% by April. And the fact that the composite index of *Leading Economic Indicators* continued to drop sharply through April suggests that the slowing of activity will continue for a number of months. The *Economic Forecasts* generally point to recession continuing for the rest of this year, and a few indicate it might not end until the first quarter of next year.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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THE CONFERENCE BOARD IN CANADA
25 McArthur Road
Ottawa, Ontario, K1L-6R3, Canada

845 Third Avenue
New York, New York 10022

THE CONFERENCE BOARD IN EUROPE
Avenue Louise, 326-Bte 48
B-1050 Brussels, Belgium

The median of the forecasts says that real output is declining at a very substantial 7.1% annual rate (seasonally adjusted) in the second quarter of 1980. The median rate of decline subsides to a still sharp 4.3% in the third quarter, followed by a milder rate of decline of only 1.1% in the fourth quarter.

The most pessimistic outlook is that real GNP is decreasing by 9.5% in the second quarter and will drop by 6.4% in the third quarter, 4.2% in the fourth, and by 0.7% in the first quarter of 1981. The most significant implication in all of these numbers on declining economic activity is that the worst phase of this downturn is the first three months. The economic news—whether on production or housing starts or employment—is not expected to continue to be as bad from here on out as it has been over the last few months.

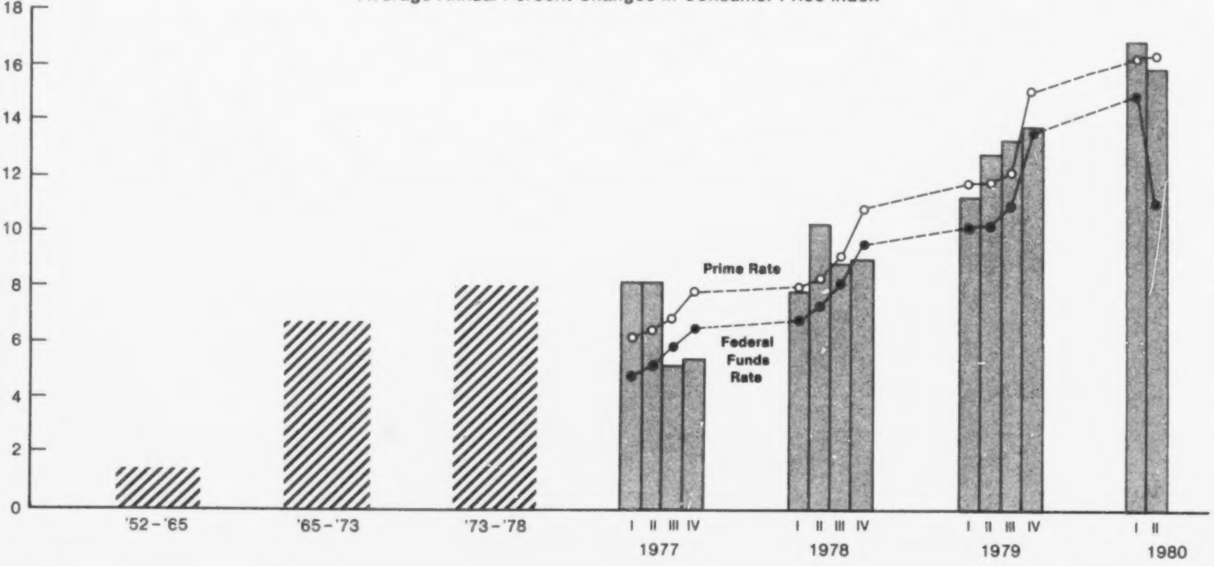
The decline in overall activity will result in a sharp rise in unemployment. The national unemployment rate rose from 6.2% in March to 7% in April to 7.8% in May. The *Economic Forecasts,* which were all put together before the May figure was announced, indicate that unemployment will average 7.5% in the second quarter, 8% in the third quarter, and 8.3% in the fourth. The median forecast is that the rate will peak at 8.5% in the first quarter of 1981 and then begin to improve. The more pessimistic view is that unemployment will peak at 9.5% in the first quarter of 1981—and only improve to 9% by the third quarter of next year.

The slowdown of economic activity will allow for some abatement of inflation. The *Economic Forecasts* suggest that inflation, as measured by the implicit price deflator, is running at a 9.3% pace in the second quarter of 1980—the same as in the first. The rate of inflation is now expected to peak at 9.5% in the third quarter and then begin to subside to about 7½% by the first quarter of 1982. In addition, there has been a marked slowdown in credit expansion. The extension of commercial and industrial loans was 65% lower in May than in February. And consumers actually liquidated more debt in April than they took on. These conditions have allowed for a sizable decline in short-term interest rates. However, the drop in interest rates has been accompanied by yet another round of selling of dollars on the international exchanges. The trade-weighted average *Exchange Rate* of the dollar against other major currencies in May was 17% below June, 1970 parities. That is roughly where the dollar was last Summer before the subsequent rounds of hikes in interest rates. It would seem that the concurrent policy objectives of reducing interest costs while also maintaining the value of the currency create a most difficult burden. And the announcement in early May of yet another round of price increases by OPEC only compounds that problem.

Ken Goldstein

The Inflation Spiral

Average Annual Percent Changes in Consumer Price Index

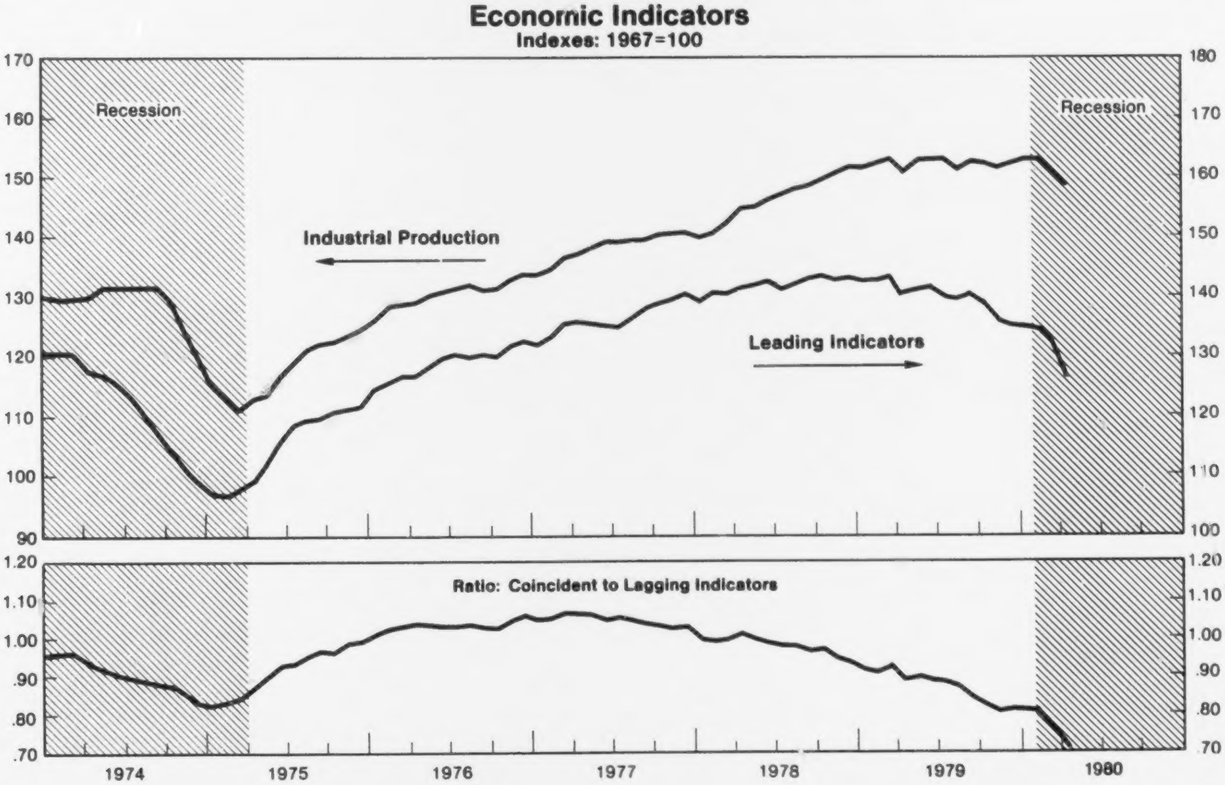


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Apr.			X	− 7.1%	−10.0%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Apr.			X	− 7.1%	− 6.8%
New orders, nondefense capital goods (deflated)	Apr.		X		− 2.6%	+ 4.3%
*Net business formation	Feb.	X			+ 3.0%	+ 2.5%
*Housing permits	Apr.			X	−37.2%	−47.7%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Apr.			X	−14.9%	−17.4%
*Change in inventory, on hand & order (deflated)	Mar.		X		− 1.7%	−31.5%
Purchasing agents' buying policy	May			X	− 9 %	−15 %
*Vendor performance, reported slower deliveries	Apr.			X	−16.7%	−47.4%
Industrial raw materials prices	May			X	−13.1%	− 4.6%
*Change in sensitive prices	Apr.			X	− 1.4%	− 1.2%
Sensitive Financial Flows						
*Money balance (M2, deflated)	Apr.			X	− 2.7%	− 6.2%
Change in business loans	May			X	−65.0%	−61.2%
*Change in liquid assets	Apr.		X		+ 0.1%	− 0.2%
Change in consumer installment debt	Mar.		X		+ 1.0%	−26.3%
Profitability						
Total corporate profits, after tax (deflated)	1st Q	X			+ 3.4%	+ 0.3%
*Common stock prices	May		X		− 7.0%	+ 7.5%
Marginal Employment Adjustments						
*Average workweek, mfg.	Apr.			X	− 0.7hr	+ 0.4hr
Initial unemployment claims (inverted)	Apr.			X	−40.8%	−31.1%
*Layoff rate, mfg. (inverted)	Apr.			X	− 1.5%	− 1.7%

Note: For historical data of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Business Conditions Digest*, (Washington, D.C.: Government Printing Office, July, 1978, p. 100. For a description of the index, see November, 1975, page V)

*These twelve series make up the composite leading index charted below.



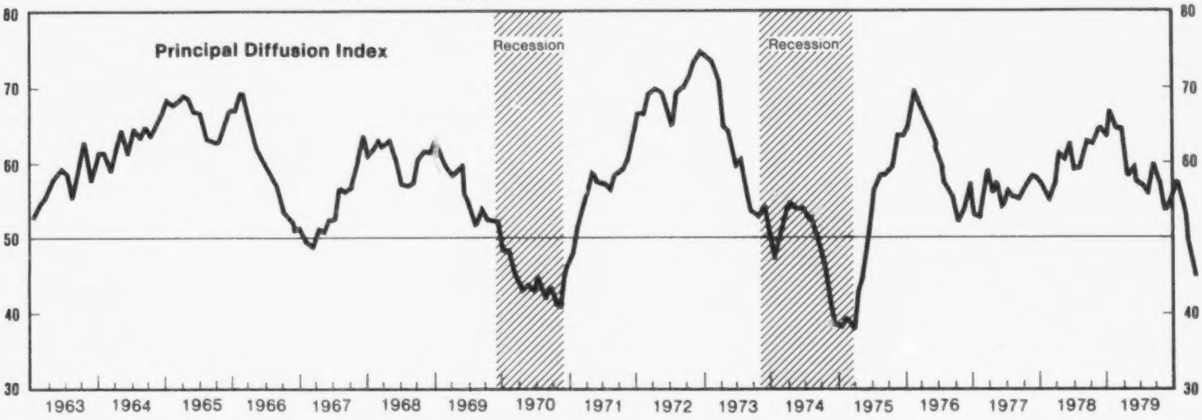
CONFERENCE BOARD DIFFUSION INDEXES

	1979		1980		
DIFFUSION INDEXES	**Apr.**	**Jan.**	**Feb.**	**Mar.**	**Apr.(e)**
Principal Diffusion Index	57.9	57.3	55.3r	49.9	44.6
Auxiliary Diffusion Index	32.1	57.5	43.3r	32.4	32.9
Industrial Group	52.5	50.7	47.1r	42.9	37.7
Nonindustrial Group	63.3	64.0	63.5	56.8r	51.5
Sense of Diffusion	1.0	1.0	0	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	61.1	55.6	52.6	49.6	47.0
Labor	44.5	49.5	47.6r	40.8	34.4
Miscellaneous	59.6	46.5	37.8	38.5	32.1
Nonindustrial Subgroups					
Prices	68.6	71.8	76.3	64.7	54.5
Consumer	82.1	77.4	76.1	69.7	61.5
Building	44.9	46.8	39.7	33.3r	31.4
Miscellaneous	53.4	56.8	58.1	54.3r	53.0

Note: The principal diffusion index reflects the frequency of upward change in 20 component series over the 12-month period ending in the month indicated. The index is based solely on the direction of change from month to month and not on the magnitude of such changes. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than that of earlier movements. If, for example, ten of the component series had increased and ten had decreased in each of the last twelve months, the current index would register a value of 50. But, because of weighting, the index would be considerably greater than 50, if all the series had increased in each of the last six months and had fallen in each of the first six months of the interval. The index closely coincides with turning points at the peak of a business cycle but tends to lag at troughs. For an explanation of the diffusion indexes and their components, see Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966, pp. 12-15.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1977		*1978*				*1979*				*1980*
	Aug.	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*
	Score (scale 0-100)										
Measure of Business Confidence	59	52	52	58	49	40	43	41	32	32	40
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	62	48	46	60	58	45	47	47	28	29	36
2. Expectations for Economy, Six Months Ahead	56	49	49	54	42	33	38	33	29	29	38
3. Expectations for Own Industry, Six Months Ahead	60	58	59	60	49	43	46	43	39	38	45

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

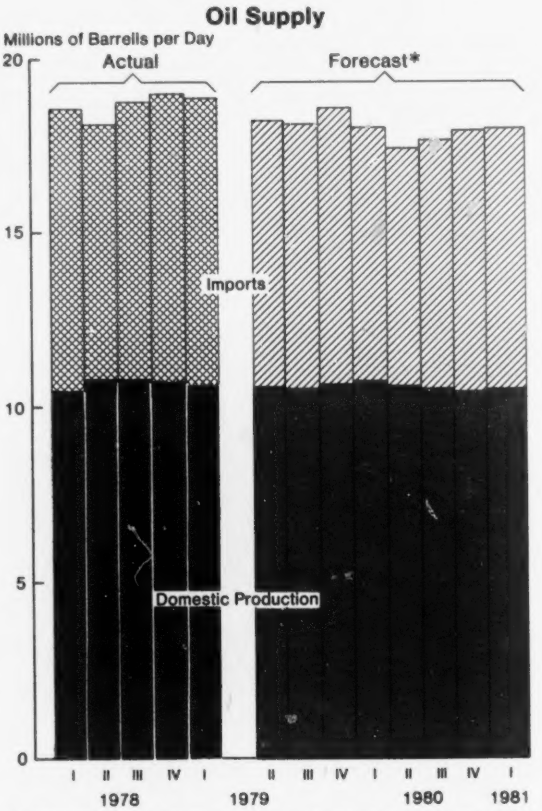
Billions of Dollars, Seasonally Adjusted

	1979			1980				1981			
					PROJECTIONS						
	II	III	IVr	Ip	II	III	IV	I	II	III	IV
1000 LARGEST MANUFACTURING FIRMS											
New appropriations	21.033	22.552	23.475	30.481	17.5	16.8	17.8	18.0	18.0	17.6	18.1
Capital expenditures	18.027	18.678	19.702	21.774	18.7	19.3	19.7	19.5	19.2	18.6	18.1
Change in appropriations backlog*	+ 1.468	+ 3.431	+ 3.523	+ 8.015	—2.8	—3.9	—3.3	—2.8	—2.7	—2.4	—1.3
Durable Goods											
New appropriations	10.672	10.384	11.845	14.339	8.2	7.7	6.9	6.4	6.4	6.9	7.3
Capital expenditures	8.379	9.126	9.630	10.619	9.3	9.4	9.1	8.5	7.7	7.0	6.4
Change in appropriations backlog*	+ 1.970	+ 1.182	+ 2.295	+ 3.228							
Nondurable Goods											
New appropriations	10.361	12.168	11.630	16.142	9.3	9.1	10.9	11.6	11.6	10.7	10.9
Capital expenditures	9.648	9.552	10.072	11.155	9.5	9.9	10.6	10.9	11.5	11.6	11.7
Change in appropriations backlog*	—0.502	+ 2.249	+ 1.228	+ 4.787							
ELECTRIC & GAS UTILITIES											
New appropriations	6.763r	10.913	8.809								
Capital expenditures	7.149r	7.139	6.994								
Change in appropriations backlog*	—1.737r	+ 3.276	—7.236								

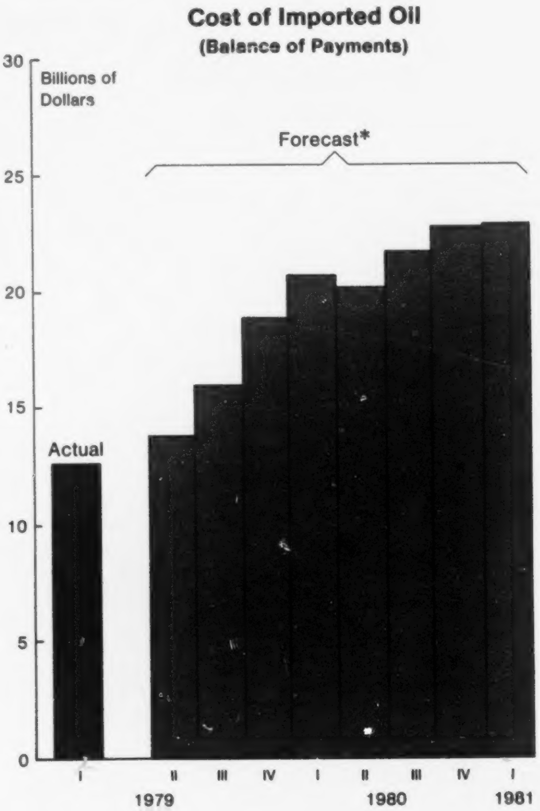
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request. Projections are based on The Conference Board's capital appropriations forecasting model. Data for utilities are revised for 1978 and 1979.

r—revised p—preliminary

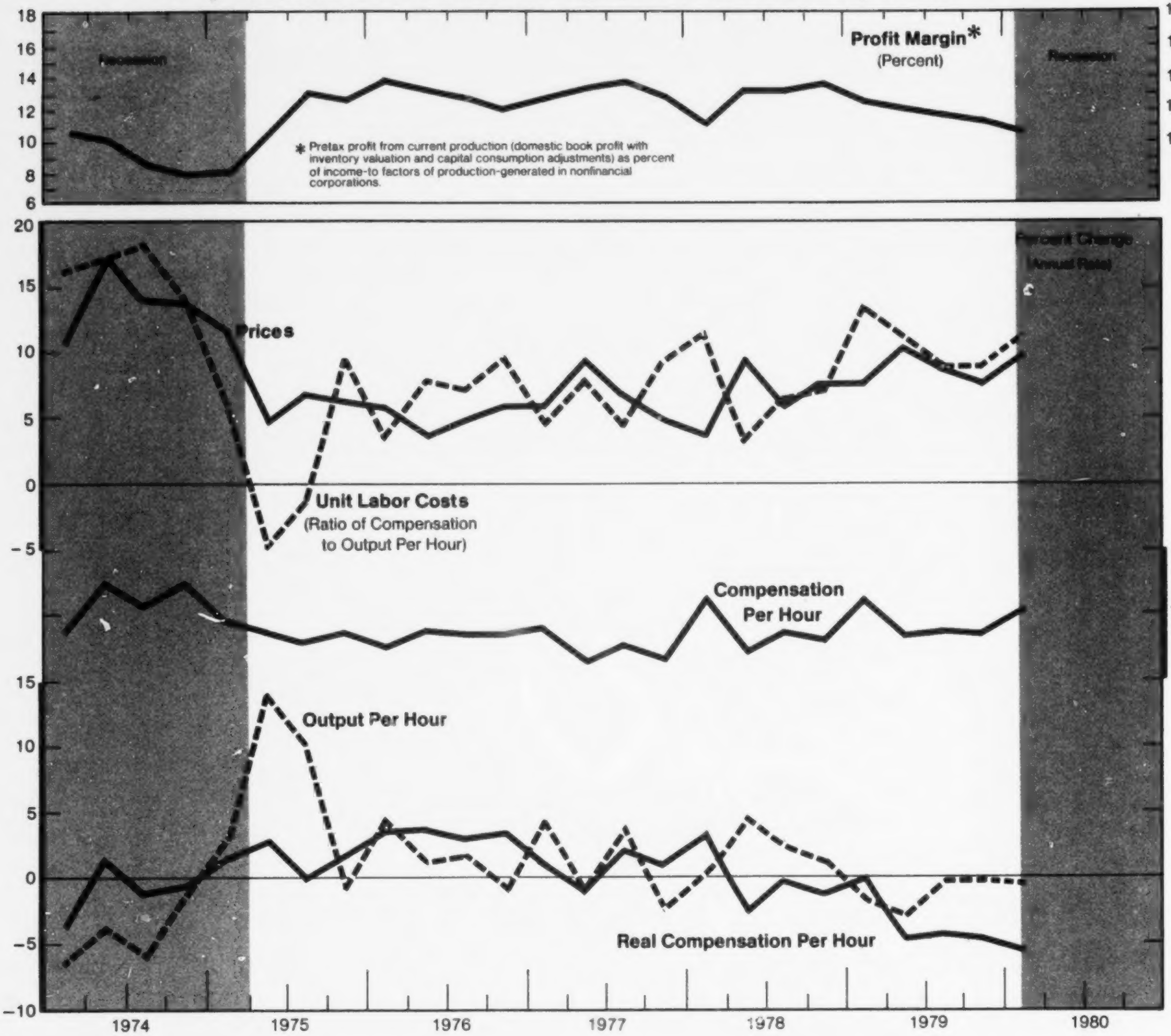
* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).



* Source of forecast is The Energy Information Administration, Department of Energy

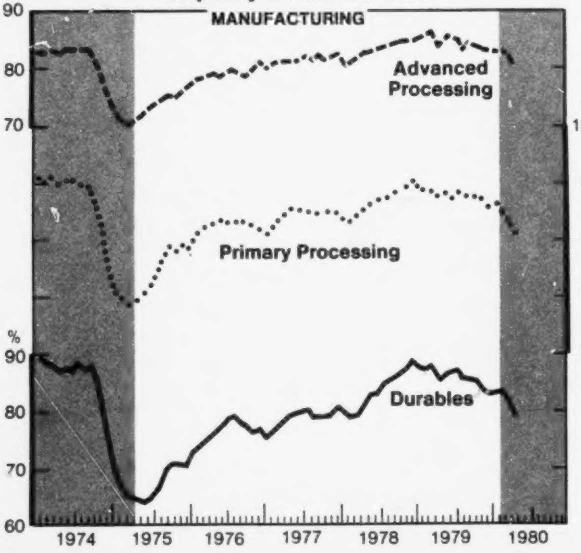


Key Determinants of Profit Margin, Nonfinancial Corporations

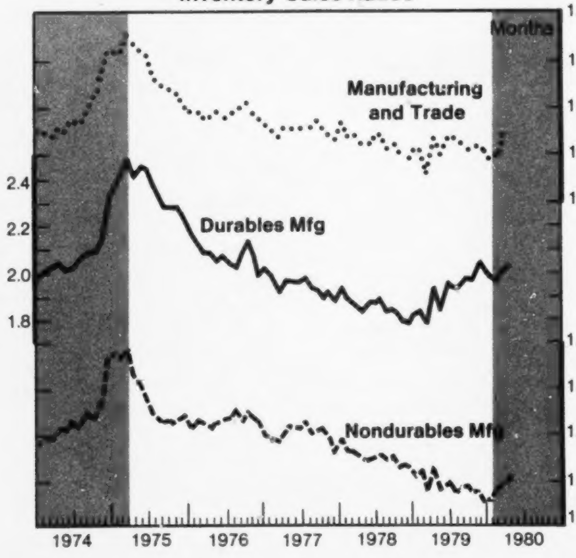


* Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income-to factors of production-generated in nonfinancial corporations.

Capacity Utilization Rates



Inventory-Sales Ratios



Seasonally Adjusted

ECONOMIC FORECASTS

			ASA-NBER Survey of Regular Forecasters[2]		Merrill Lynch Economics Inc.[3]		Kent Economic Institute[3]		Michigan Research Seminar in Quantitative Economics[1]	
Date of Forecast			*May, 1980*		*May, 1980*		*May, 1980*		*March, 1980*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Current Dollars										
Actual	1980	I			$2516.1	10.0%	$2516.1	10.0%		
Forecast		II	$2544.0	3.8%	2517.7	0.3	2560.0	7.2	$2581.3	7.9%
		III	2578.0	5.5	2525.9	1.3	2618.9	9.5	2639.2	9.3
		IV	2630.0	8.3	2565.3	6.2	2700.5	13.1	2693.0	8.4
	1981	I	2710.0	12.7	2600.7	5.8	2764.2	9.8	2740.4	7.2
		II	2773.0	9.6	2689.6	14.4	2843.8	12.0	2798.2	8.7
		III			2773.7	13.1	2940.4	14.3	2865.0	9.9
		IV			2857.3	12.6	3028.4	12.2		
	1982	I			2940.3	12.1	3091.6	8.9		
	1980	Annual	2568.1	8.4	2531.0	6.8	2598.9	9.7	2611.5	10.2
	1981	Annual			2730.3	7.9	2893.7	11.3		
Gross National Product Constant (1972) Dollars										
Actual	1980	I			$1442.8	0.6%	$1442.8	0.6%		
Forecast		II	$1425.2	−5.2%	1413.8	−7.8	1430.1	−3.4	$1435.3	−3.2%
		III	1410.3	−4.1	1394.7	−5.2	1430.3	0.1	1432.3	−0.8
		IV	1406.5	−1.1	1388.9	−1.7	1432.6	0.6	1430.0	−0.6
	1981	I	1416.3	2.8	1386.3	−0.7	1442.7	2.8	1427.4	−0.7
		II	1426.1	3.4	1410.3	7.1	1450.2	2.1	1429.2	0.5
		III			1433.1	6.6	1457.8	2.1	1436.1	1.9
		IV			1451.8	5.3	1470.6	3.6		
	1982	I			1469.5	5.0	1483.5	3.6		
	1980	Annual	1421.5	−0.7	1409.9	−1.5	1433.9	0.2	1436.2	0.3
	1981	Annual			1420.4	0.7	1455.3	1.5		
Gross National Product Deflator Index, 1972 = 100										
Actual	1980	I			174.4	9.3%	174.4	9.3%		
Forecast		II	178.7	10.0%	178.1	8.7	179.0	11.0	179.8	11.5%
		III	182.9	9.7	181.1	6.9	183.1	9.5	184.3	10.2
		IV	186.6	8.3	184.6	8.0	188.5	12.3	188.3	9.1
	1981	I	190.4	8.4	187.6	6.6	191.6	6.7	192.0	8.0
		II	194.5	8.9	190.7	6.8	196.1	9.7	195.8	8.2
		III			193.5	6.1	201.7	11.9	199.5	7.8
		IV			196.8	6.9	205.8	8.4		
	1982	I			200.1	6.8	208.4	5.2		
	1980	Annual	180.7	9.2	179.6	8.5	181.3	9.6	181.9	9.9
	1981	Annual			192.2	7.0	198.8	9.7		
Unemployment Rate										
Actual	1980	I			6.1%		6.1%			
Forecast		II	7.2%		7.5		7.6		6.5%	
		III	7.8		8.2		8.0		7.0	
		IV	8.0		8.8		7.8		7.4	
	1981	I	8.1		9.4		7.6		7.8	
		II	8.0		9.3		7.1		8.2	
		III			9.0		7.0		8.4	
		IV			8.6		6.5			
	1982	I			8.2		6.5			
	1980	Annual	7.3		7.6		7.4		6.8	
	1981	Annual			9.1		7.0			

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (second revision) 4th quarter data.

[2] Based on preliminary first quarter data.

[3] Based on revised first quarter data.

ECONOMIC FORECASTS (continued)

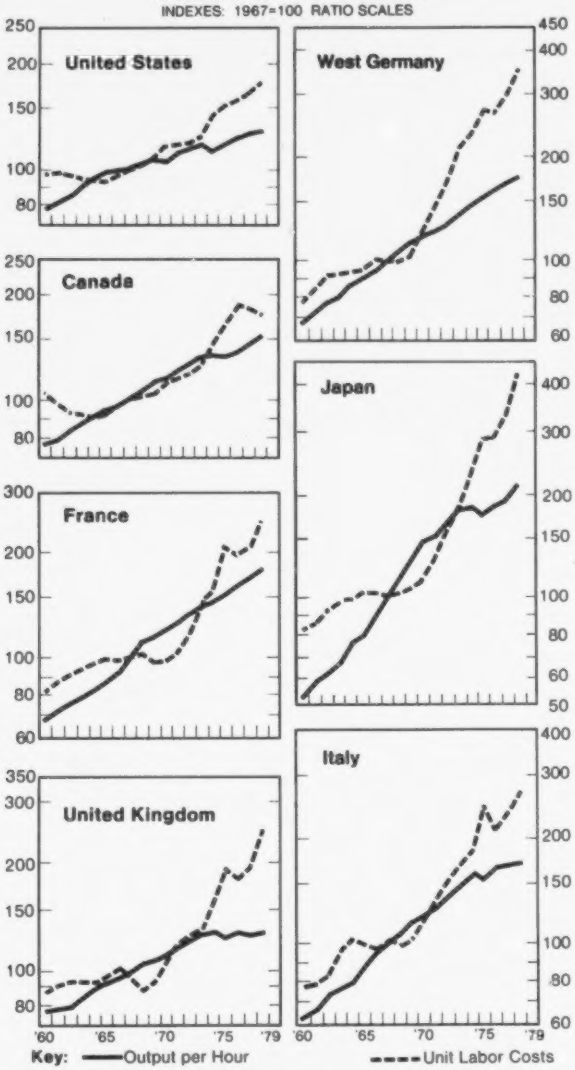
The Conference Board[2]		Chase Econometric Associates, Inc.[3]		Data Resources Inc.[3]		Wharton E.F.A. Inc.[3]				
April, 1980		*May, 1980*		*May, 1980*		*May, 1980*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Current Dollars		
		$2518.1	10.0%	$2518.1	10.0%	$2518.1	10.0%	I	**1980**	**Actual**
$2520.0	−0.0%	2527.8	1.9	2516.4	0.0	2519.8	0.6	II		Forecast
2538.0	2.9	2543.1	2.4	2546.8	4.9	2541.5	3.5	III		
2570.0	5.1	2593.8	8.2	2594.3	7.7	2595.9	8.8	IV		
2627.0	9.2	2669.8	12.2	2669.8	12.2	2676.3	13.0	I	1981	
2725.0	15.8	2755.9	13.5	2758.8	14.2	2748.6	11.3	II		
2800.0	11.5	2825.4	10.5	2863.4	15.9	2823.8	11.4	III		
2878.0	11.6	2915.2	13.3	2973.2	16.2	2907.9	12.5	IV		
		3002.9	12.6	3083.3	15.7	2994.9	12.5	I	1982	
2537.1	7.1	2545.2	7.4	2543.4	7.4	2543.3	7.4	Annual	1980	
2757.5	8.7	2791.6	9.7	2816.5	10.7	2789.1	9.7	Annual	1981	
								Gross National Product Constant (1972) Dollars		
		$1442.8	0.6%	$1442.8	0.6%	$1442.8	0.6%	I	**1980**	**Actual**
$1412.6	−8.5%	1415.2	−7.4	1411.9	−8.2	1416.3	−7.1	II		Forecast
1394.7	−5.0	1393.6	−6.0	1397.0	−4.2	1400.9	−4.3	III		
1385.6	−2.5	1392.4	−0.3	1391.4	−1.6	1399.0	−0.5	IV		
1391.2	1.6	1402.1	2.8	1400.2	2.6	1409.5	3.0	I	1981	
1416.8	7.6	1413.3	3.2	1414.8	4.2	1419.1	2.8	II		
1430.6	4.0	1420.3	2.0	1435.0	5.8	1431.3	3.5	III		
1444.9	4.1	1432.4	3.5	1453.5	5.3	1444.8	3.8	IV		
		1443.5	3.1	1472.8	5.4	1461.2	4.6	I	1982	
1409.3	−1.6	1410.9	−1.4	1410.7	−1.5	1414.7	−1.2	Annual	1980	
1420.9	0.8	1417.0	0.4	1425.9	1.1	1426.2	0.8	Annual	1981	
								Gross National Product Deflator Index, 1972 = 100		
		174.4	9.3%	174.4	9.3%	174.4	9.3%	I	**1980**	**Actual**
178.4	9.2%	178.6	10.0	178.2	9.0	177.9	8.3	II		Forecast
182.0	8.3	182.5	8.9	182.3	9.5	181.4	8.1	III		
185.5	7.9	186.3	8.6	186.5	9.4	185.6	9.4	IV		
188.8	7.5	190.4	9.2	190.7	9.4	189.9	9.6	I	1981	
192.3	7.6	195.0	10.0	195.1	9.5	193.7	8.3	II		
195.7	7.2	198.9	8.3	199.5	9.5	197.3	7.7	III		
199.2	7.3	203.5	9.6	204.6	10.4	201.3	8.3	IV		
		208.0	9.2	209.3	9.7	205.0	7.5	I	1982	
180.1	8.8	180.4	9.1	180.3	9.0	179.8	8.7	Annual	1980	
194.0	7.7	197.0	9.2	197.5	9.5	195.5	8.7	Annual	1981	
								Unemployment Rate		
		6.1%		6.1%		6.1%		I	**1980**	**Actual**
7.3%		7.4		7.6		7.5		II		Forecast
8.2		8.1		8.1		7.9		III		
8.4		8.3		8.4		8.3		IV		
8.2		8.3		8.6		8.5		I	1981	
7.8		8.1		8.6		8.6		II		
7.7		8.2		8.4		8.6		III		
7.5		8.1		8.3		8.5		IV		
		8.0		8.1		8.3		I	1982	
7.5		7.5		7.6		7.5		Annual	1980	
7.8		8.2		8.5		8.5		Annual	1981	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900

SELECTED INTERNATIONAL COMPARISONS

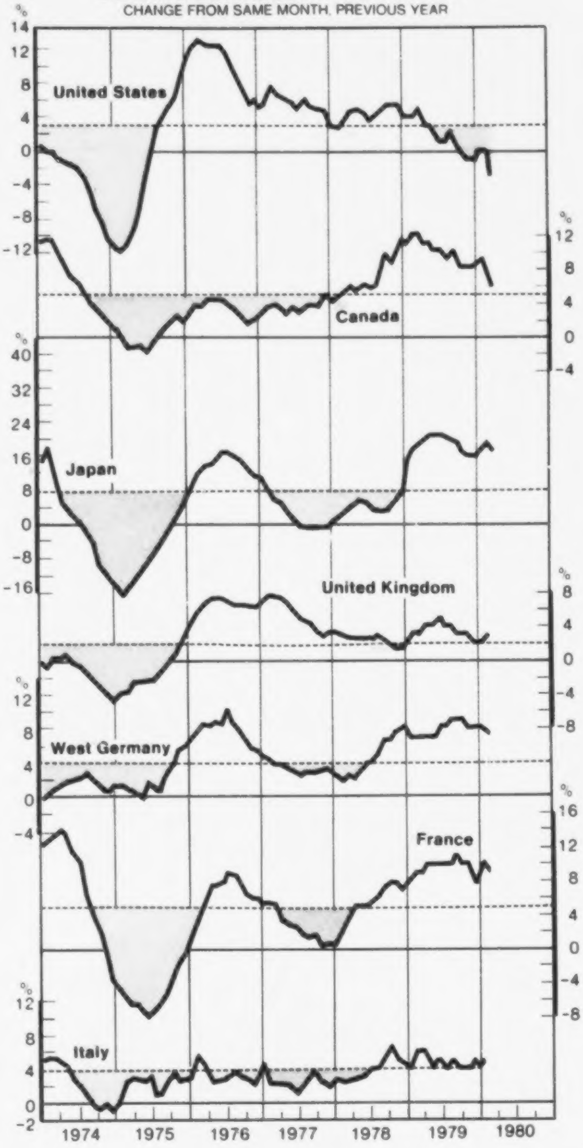
PRODUCTIVITY AND COSTS

INDEXES: 1967=100 RATIO SCALES

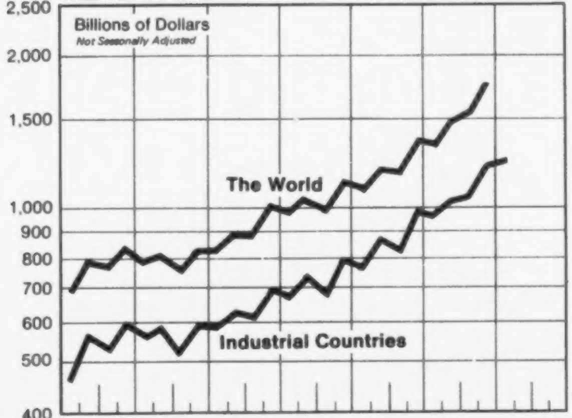


LEADING BUSINESS CYCLE INDEXES

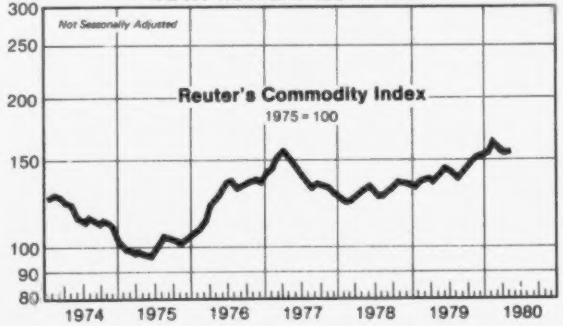
CHANGE FROM SAME MONTH, PREVIOUS YEAR



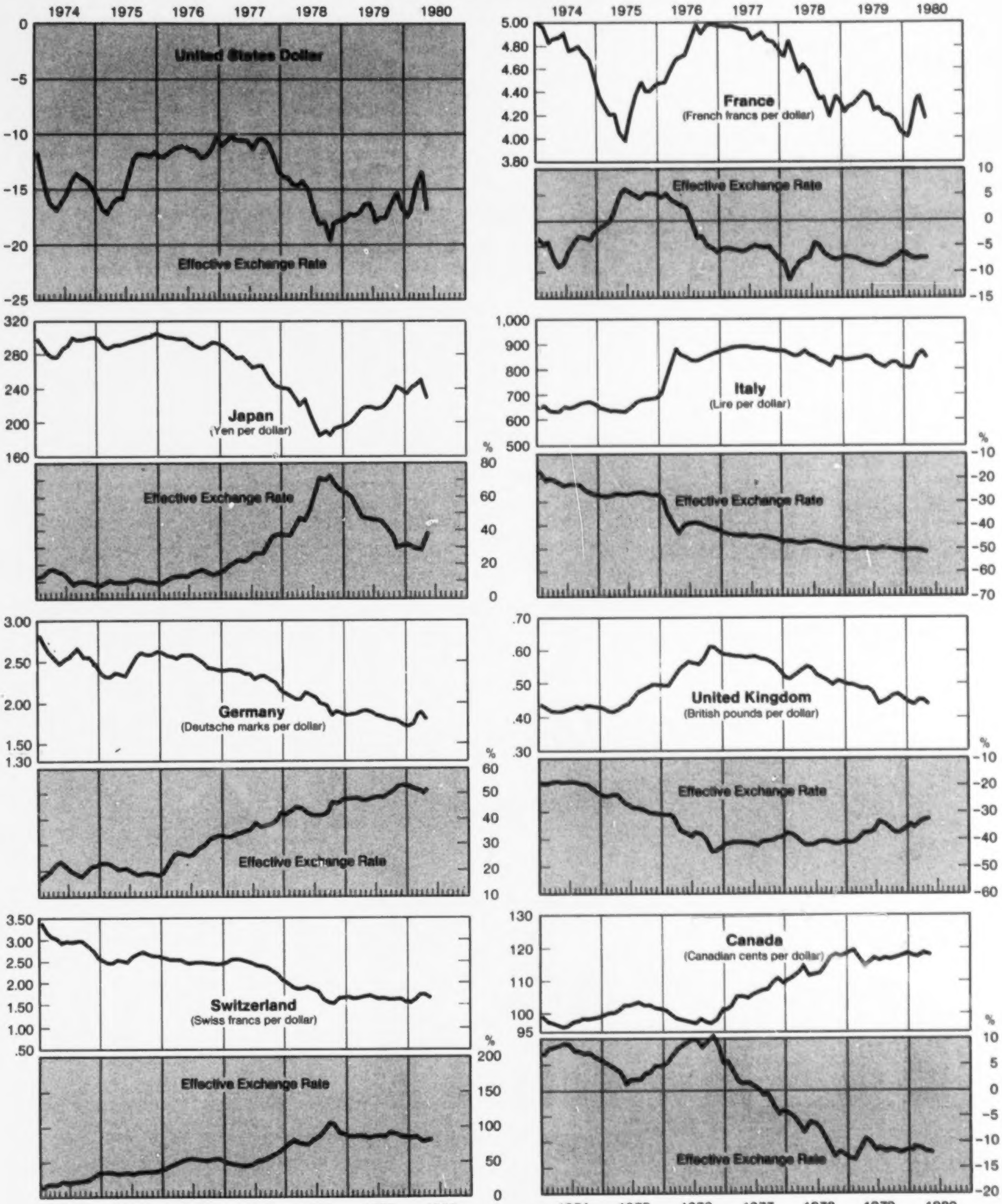
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies weighted according to the average bilateral manufactures trade of 1976; changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

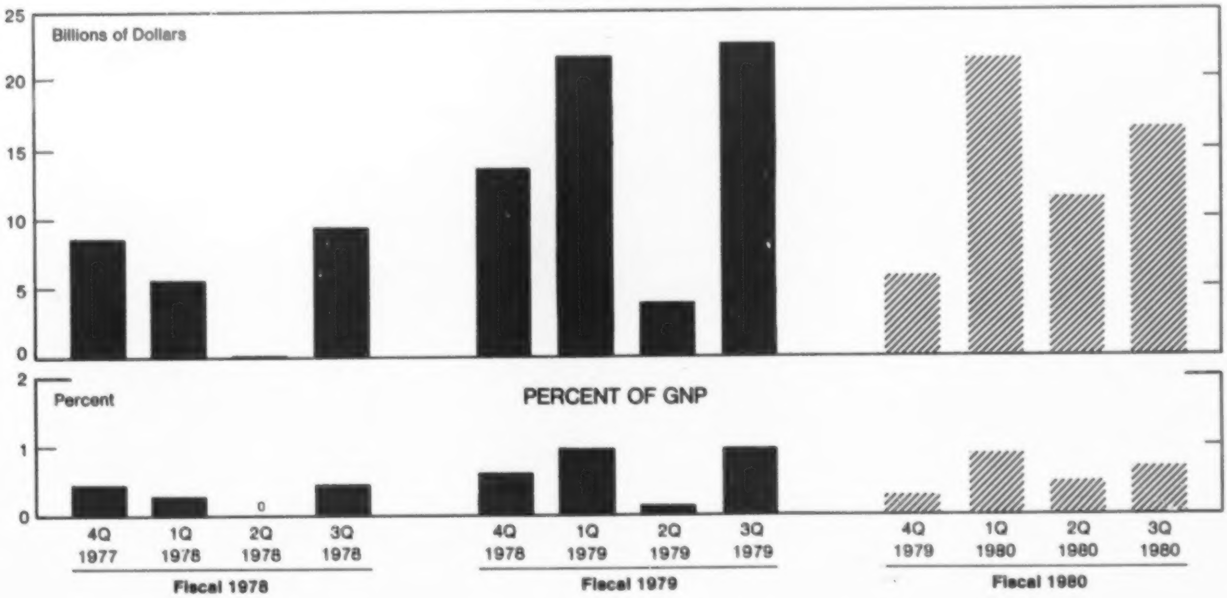
Source: Morgan Guaranty Trust.

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1980			Fiscal 1981		
	Current Services (1/22/79)	Revised President's Proposal (1/28/80)	Latest President's Proposal (3/31/80)	Current Services (1/28/80)	Initial Proposal (1/28/80)	Latest President's Proposal (3/31/80)
Receipts	**$504.5**	**$523.8**	**$532.4**	**579.0**	**600.0**	**628.0**
Outlays	**536.1**	**563.6**	**568.9**	**612.0**	**615.8**	**611.5**
Deficit	**—31.6**	**—39.8**	**—36.5**	**—33.0**	**—15.8**	**+ 16.5**
Receipts by source	**504.5**	**523.8**	**532.4**	**579.0**	**600.0**	**628.0**
Individual income taxes	229.6	238.7	241.5	273.3	274.4	279.9
Corporate income taxes	71.0	72.3	74.2	74.7	71.6	74.1
Social insurance	161.2	162.2	163.5	186.0	187.4	188.9
Other receipts	42.7	50.6	53.2	45.0	66.6	85.1
Outlays by function	**536.1**	**563.6**	**568.9**	**612.0**	**615.8**	**611.5**
Income security	179.5	190.9	190.0	219.9	220.0	220.1
National defense	125.5	130.4	134.0	142.4	146.2	150.5
Health	55.1	56.6	56.5	63.4	62.4	61.9
Education and manpower	31.0	30.7	30.1	32.5	32.0	30.6
Veterans' benefits	20.4	20.8	20.7	21.7	21.7	21.4
Transportation	18.0	19.6	20.5	20.1	20.2	19.0
Natural resources and environment	11.8	12.8	12.8	12.8	12.8	12.5
Revenue sharing	9.2	6.7	8.8	8.5	9.6	7.4
International affairs	7.9	10.4	11.1	9.6	9.6	10.1
Community development	7.2	6.5	9.0	8.5	8.8	8.5
Energy	8.0	7.8	6.8	7.1	8.1	6.9
General science	5.4	5.9	5.9	6.3	6.4	6.2
General government	4.2	4.9	4.8	4.9	4.9	4.8
Justice	4.3	4.5	4.6	4.7	4.7	4.6
Agriculture	5.0	4.6	5.1	3.2	2.8	2.0
Commerce and housing credit	3.4	5.5	6.2	0.8	0.7	0.4
Interest	57.1	63.3	64.3	68.4	67.2	68.4
Allowances	2.1	0.1	—	2.4	2.6	1.4
Undistributed offsetting receipts	—19.0	—22.3	—22.2	—25.1	—25.2	—24.9

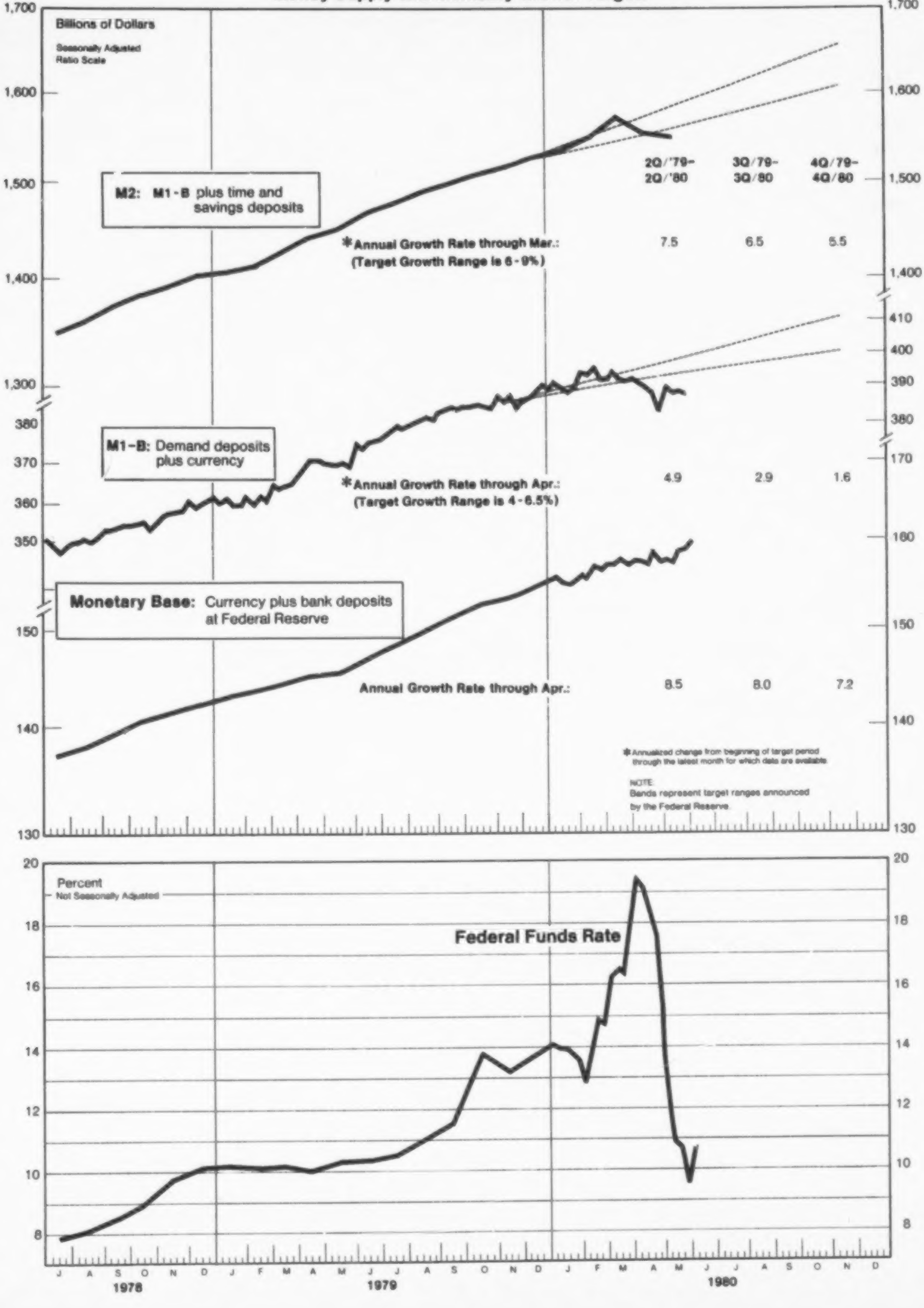
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy.* Fiscal 1977, No. 2, The Conference Board, New York: 1976

Money Supply and Monetary Growth Targets



* Annualized change from beginning of target period through the latest month for which data are available.

NOTE
Bands represent target ranges announced by the Federal Reserve.

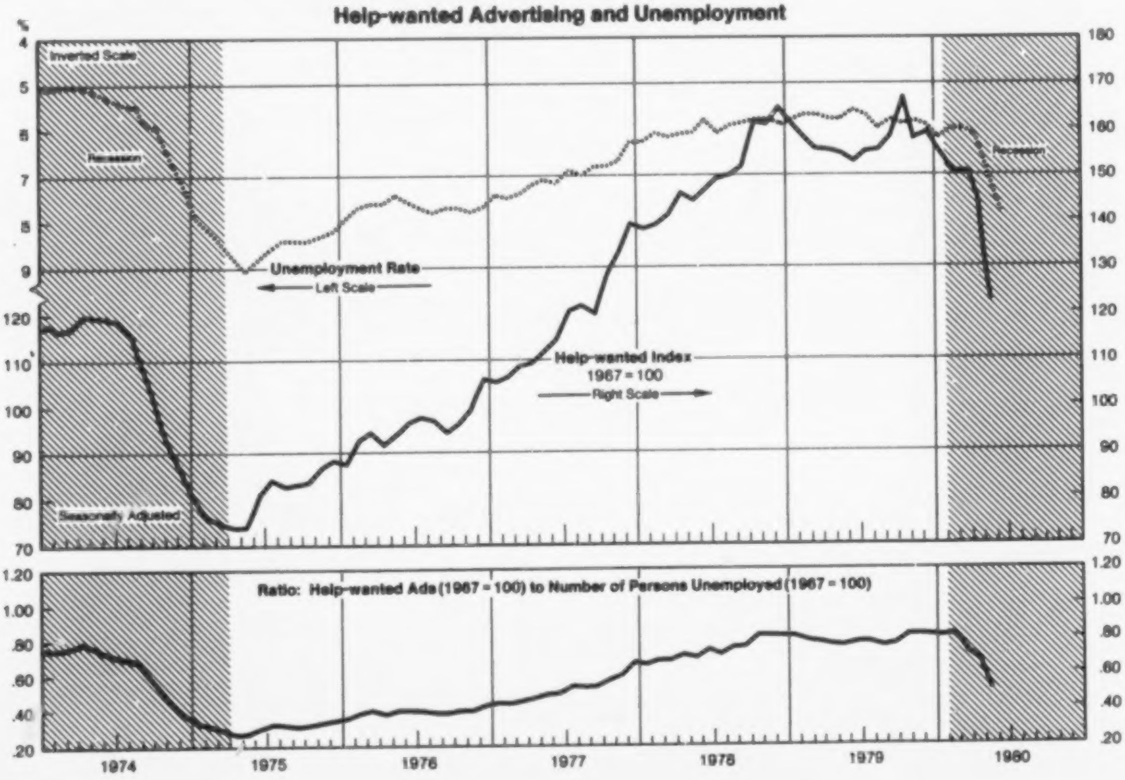
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1980			1979
	Apr.	Mar.	Feb.	Apr.
Total Index 51 papers	122	145	151	155
New England	117	134	142	136
Boston	124	141	151	143
Hartford	139	160	161	151
Providence	76	86	95	97
Middle Atlantic	59	67	70	69
Albany	85	103	106	102
Allentown	134	123	148	141
New York	52	58	60	56
Philadelphia	53	59	63	65
Pittsburgh	77	98	100	99
Rochester	58	66	66	74
Syracuse	72	78	85	90
East North Central	78	93	102	127
Chicago	74	87	96	119
Cincinnati	118	133	150	174
Cleveland	75	92	100	118
Columbus	114	134	152	165
Dayton	69	83	88	106
Detroit	56	68	73	103
Gary	100	132	125	165
Indianapolis	92	109	120	155
Milwaukee	79	93	101	127
Toledo	102	116	124	158
West North Central	93	114	120	136
Kansas City	109	135	141	162
Minneapolis	107	137	146	148
Omaha	118	138	134	195
St. Louis	62	72	78	92
South Atlantic	129	155	162	152
Atlanta	193	231	243	232
Baltimore	83	99	107	103
Charlotte	112	136	134	142
Jacksonville	118	132	128	127
Miami	150	177	165	152
Richmond	87	102	113	117
Washington, D. C.	124	154	170	150
East South Central	121	138	146	169
Birmingham	124	150	162	182
Knoxville	194	236	216	224
Louisville	64	87	99	105
Memphis	104	109	127	129
Nashville	166	162	168	246
West South Central	253	297	293	302
Dallas	233	286	258	265
Houston	363	420	432	428
New Orleans	172	194	204	218
Oklahoma City	192	228	216	259
San Antonio	164	189	192	179
Tulsa	212	247	232	268
Mountain	260	319	338	357
Denver	221	272	291	305
Phoenix	298	367	378	403
Salt Lake City	281	342	372	391
Pacific	189	225	231	215
Los Angeles	167	204	211	189
Sacramento	254	314	338	309
San Bernardino	143	156	174	176
San Diego	294	344	360	343
San Francisco	187	220	215	202
Seattle	215	242	247	262
Percentage of papers with rising volume	4%	20%	24%	45%
Unemployment rate	7.0%	6.2%	6.0%	5.8%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
n.a.—not available r—revised

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

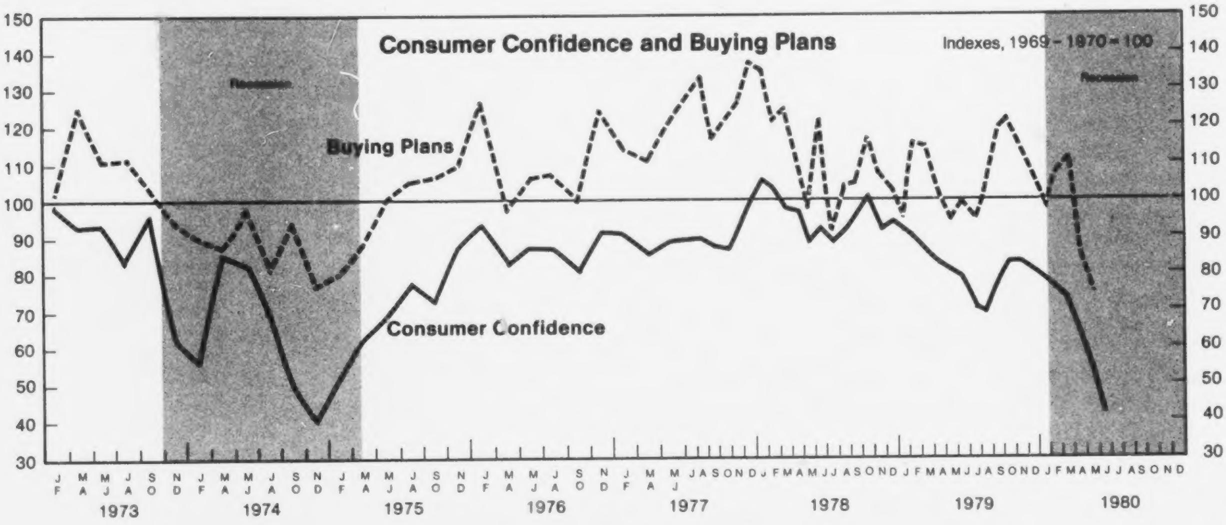
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1978	105.2	103.8	97.3	96.9	88.8	92.5	88.8	91.4	95.4	101.4	91.8	94.0
1979	91.7	91.4	84.9	82.2	80.8	78.5	70.0	69.0	78.2	83.6	83.0	80.8
1980	79.1	76.4	71.5	52.9r	41.9							

Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1978	134.3	120.7	124.3	109.5	97.1	121.7	91.2	104.0	104.2	116.9	106.4	103.1
1979	95.1	115.4	114.4	100.6	95.4	99.6	94.6	101.7	119.4	121.9	113.4	107.2
1980	99.2	107.0	116.4	85.3r	74.6							

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

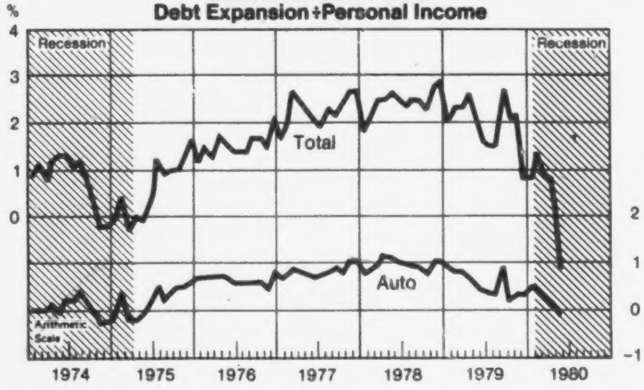
Billions of Dollars; Quarterly Data are Seasonally Adjusted at Annual Rates

		Aggregate Purchasing Power	Discretionary Purchasing Power	Discretionary Saving	Discretionary Spending	Discretionary Purchasing Power as % of Aggregate	Discretionary Spending as % of Aggregate	Discretionary Spending as % of Discretionary Purchasing Power
1975	I	$1075.2	$399.5	$ 67.5	$332.0	37.2%	30.9%	83.1%
	II	1155.6	469.7	125.2	344.5	40.6	29.8	73.3
	III	1160.5	453.4	125.8	327.6	39.1	28.2	72.3
	IV	1220.9	485.4	118.8	366.6	39.8	30.0	75.5
1976	I	1258.3	499.9	133.5	366.4	39.7	29.1	73.3
	II	1288.1	507.0	120.3	386.7	39.4	30.0	76.3
	III	1308.4	514.5	125.5	389.0	39.3	29.7	75.6
	IV	1343.4	533.7	118.2	415.5	39.7	30.9	77.9
1977	I	1394.3	560.4	139.4	421.0	40.2	30.2	75.1
	IIr	1432.2	583.3	143.2	440.1	40.7	30.7	75.4
	IIIr	1520.5	602.0	171.0	431.0	39.6	28.3	71.6
	IVr	1526.1	624.9	146.1	478.8	40.9	31.4	76.6
1978	Ir	1559.9	648.3	141.4	506.9	41.6	32.5	78.2
	IIr	1633.1	680.8	176.8	504.0	41.7	30.9	74.0
	IIIr	1672.4	693.1	184.2	508.9	41.4	30.4	73.4
	IVr	1701.4	690.9	150.3	540.6	40.6	31.8	78.2
1979	Ip	1746.1	712.2	149.5	562.7	40.8	32.2	79.0

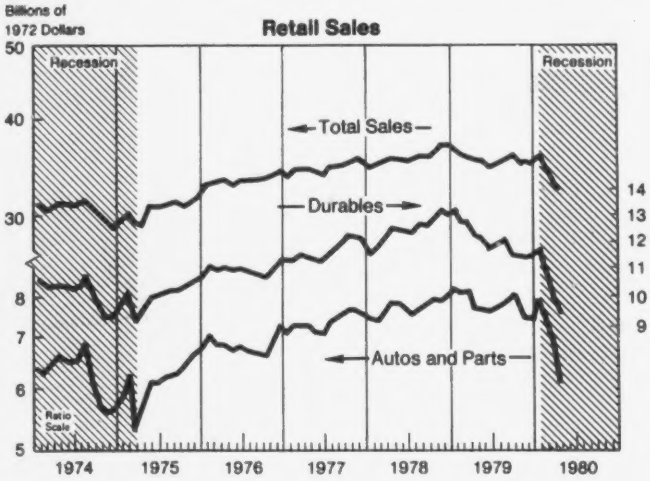
Note: For an explanation of discretionary purchasing power and spending, see Morton Ehrlich, *Discretionary Spending*, (The Conference Board, 1966).

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



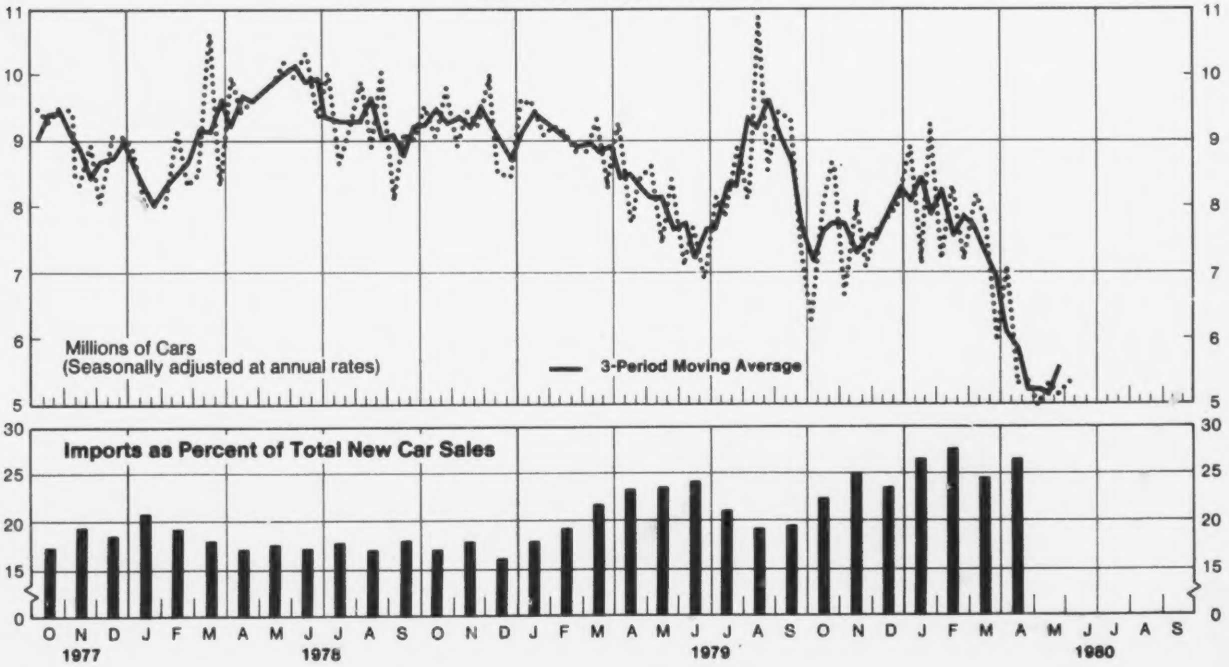
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1977	1978	1979	1980
January:	1-10	9.25	8.86	9.60	8.97
	11-20	9.51	8.03	9.55	7.19
	21-31	8.68	8.03	9.11	9.23
February:	1-10	9.83	8.00	9.20	7.28
	11-20	8.20	9.15	9.13	8.28
	21-28(29)	9.10	8.35	8.82	7.20
March:	1-10	9.86	8.49	8.83	8.11
	11-20	7.81	10.62	9.32	7.84
	21-31	9.69	8.32	8.29	5.98
April:	1-10	7.88	9.96	9.28	7.05
	11-20	9.25	9.44	7.79	5.27
	21-30	9.00	9.64	8.48	5.38
May:	1-10	9.21	9.72	8.52	4.95
	11-20	8.84	9.85	7.41	5.28
	21-31	9.04	10.22	8.42	5.15
June:	1-10	9.75	9.94	7.12	5.57
	11-20	9.31	10.38	7.70	
	21-30	9.60	9.36	6.93	
July:	1-10	9.25	10.04	8.16	
	11-20	8.30	8.69	7.87	
	21-31	9.18	9.15	8.94	
August:	1-10	9.26	9.89	8.17	
	11-20	9.38	8.89	10.88	
	21-31	9.62	10.07	8.57	
September:	1-10	9.60	8.14	9.44	
	11-20	9.14	9.07	9.34	
	21-30	8.31	9.02	7.26	
October:	1-10	9.45	9.57	6.24	
	11-20	9.31	9.08	8.04	
	21-31	9.50	9.82	8.64	
November:	1-10	9.46	8.92	6.65	
	11-20	8.34	9.44	8.07	
	21-30	8.91	9.24	7.08	
December:	1-10	8.06	10.00	7.63	
	11-20	9.07	8.57	7.83	
	21-31	9.07	8.41	8.06	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.

Domestic-Model Car Sales



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STATISTICAL REFERENCE INDEX
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STATISTICAL BULLETIN

Volume 13 No. 7, July, 1980

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THE CONFERENCE BOARD

comment

The economy is half a year into its seventh bout with recession in the post-World War II era. In the initial stage of the current slump, activity declined at a very rapid pace and the labor market was especially hard hit. The general view expressed in the *Economic Forecasts* is that while the recession will probably continue for the rest of the year, the pace of the contraction will begin to moderate in the third quarter.

Consumer market activity fell quite sharply in the first half of 1980. Consumer purchasing power was losing ground to inflation, buying on credit virtually disappeared, consumer attitudes turned very pessimistic, and retail sales—adjusted for inflation—dropped almost 10% between January and May. However, retail sales in real terms were essentially flat in June, and The Conference Board's *Consumer Confidence Index* turned up, recovering a little from very sharp previous declines. While these data do not suggest that consumer market conditions have turned around completely, they indicate that activity is not in a free-fall.

The industrial production index was 4.7% lower in May than in January. The capacity utilization measures, likewise, were significantly lower at midyear than they had been at the beginning of the year. Still, the decline in industrial production, sharp as it has been, was exceeded by the drop in final sales. Consequently, inventory/sales ratios have risen substantially. In fact, while the inventory/sales ratios were far lower at the start of this recession than they were at the start of the 1974-1975 recession, they are not much lower now than the levels reached during that recession. Clearly, an unintended inventory buildup of sizable proportions has been occurring. One of the considerations for expecting the recession to continue for at least the next six months is that this inventory buildup will have to be worked off before production can strengthen.

Business attitudes have no doubt been affected by the rate of inventory buildup as well as the sharp drop in sales. The Conference Board's *Measure of Business Confidence* dropped to only 29 (on a scale of 0 to 100) in the second quarter. The previous low was a reading of 32 in the fourth quarter of 1979.

The Conference Board's survey of *Capital Appropriations and Expenditures* by the nation's 1,000 largest manufacturers found substantial increases in appropriations and spending in the first quarter of 1980. Moreover, the survey respondents' expectations for 1980 strengthened between January and April. That is, capital spending projections for the year 1980 actually were revised upward precisely during the period when economic activity was beginning to contract. No doubt, those capital spending projections have since been further revised. Still, it seems apparent that business investment in plant and equipment will hold up relatively well in this recession compared with past experience, in good part because problems of obsolescence are being exacerbated by the rising cost of energy. Indeed, one reason for expecting this recession not to match the severity of the 1974-1975 experience is the expected strength of capital investment.

The composite index of *Leading Economic Indicators* was 8.9% lower in May than in January, and 13.5% below the peak recorded in January, 1979. The sharp declines in this series are one reason to expect economic activity to decline for a number of months to come. The *Economic Forecasts* have recently been pointing to a continuation of recession for the rest of this year, and a few suggest that it may not end until the first quarter of next year.

The median of the forecasts says that real output decreased by a very substantial 7.9% annual rate (seasonally adjusted) in the second quarter of 1980. The median rate of decline forecast then subsides to a still quite sharp 5.9% in the third quarter, followed by a milder rate of decline of only 1.1% in the fourth quarter.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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THE CONFERENCE BOARD IN CANADA
25 McArthur Road
Ottawa, Ontario, K1L-6R3, Canada

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845 Third Avenue
New York, New York 10022

THE CONFERENCE BOARD IN EUROPE
Avenue Louise, 326-Bte 48
B-1050 Brussels, Belgium

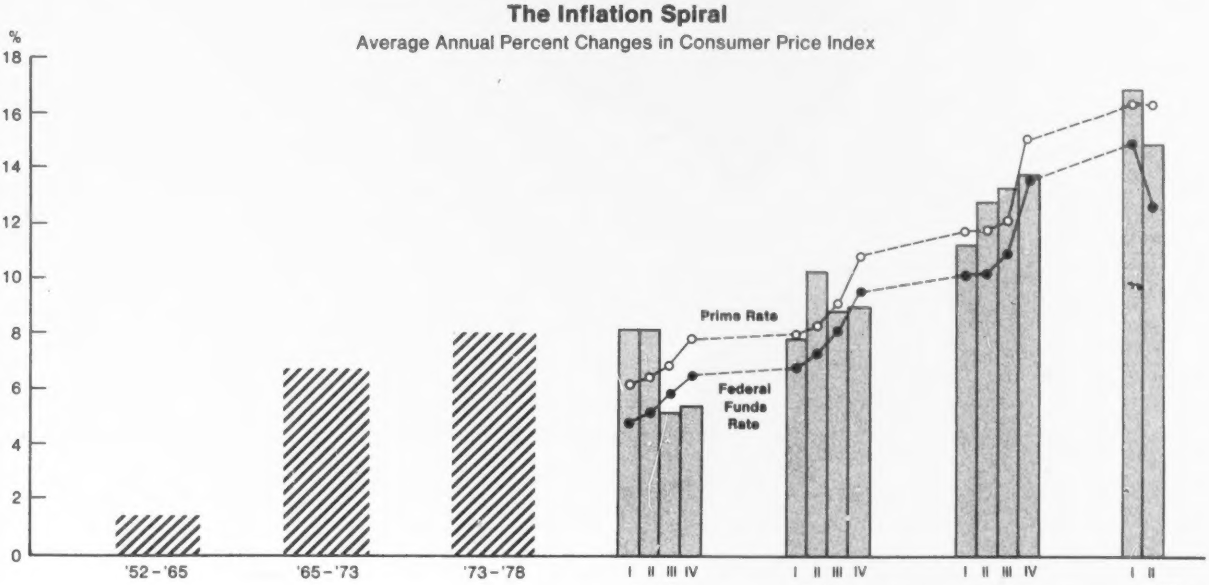
The most pessimistic outlook is that real GNP decreased at a 10% rate in the second quarter, and that it will decline by 7% in the third quarter, 3% in the fourth, and 1% in the first quarter of 1981. The difference between the median scenario and the most pessimistic scenario narrowed in the past month. And, by either account, the thinking remains that the recession will continue, but that the pace of contraction is likely to moderate.

The decline in economic activity is resulting in a very sharp increase in unemployment. The national unemployment rate rose from 6.1% in the first quarter to 7.5% in the second. The median of the *Economic Forecasts* is for an 8.2% rate in the third quarter, and 8.7% in the fourth. In the expansion of 1975-1980, employment rose almost as fast as real output; that is, productivity gains were sluggish at best (see the *Key Determinants of Profit Margins* chart). The decline in production now seems to be producing an even sharper decline in employment. The data on The Conference Board's *Help-wanted Index* indicate that while every region of the country is being effected by the decrease in activity, the Midwestern and the Mountain regions are being especially hard hit.

The decrease in economic activity is expected to lead to some abatement in the inflationary spiral. The *Economic Forecasts* suggest that while the rate of inflation—as measured by the implicit price deflator of GNP—probably rose from 9.3% in the first quarter to 9.6% in the second quarter, it may subside to 8.3% by the third quarter of this year, and to 7.8% by the third quarter of next year (median of the forecasts).

The decline in activity has resulted in a lessened demand for credit. Data on commerical and industrial loans continue to show sharp decreases; consumers actually liquidated more debt in April and May than they took on. These developments have allowed some abatement in the expansion of the monetary aggregates (see the *Money Supply and Monetary Targets* chart) as well as a sizable decline in short-term interest rates. The declining interest rates have been a factor behind the selling pressure on the dollar on international exchange markets. The trade-weighted average *Exchange Rate* of the dollar against other major currencies in June was 18.9% below June, 1970 parities. Only two months earlier that figure was 13.5 percent.

Ken Goldstein



The Inflation Spiral

Average Annual Percent Changes in Consumer Price Index

STATUS OF LEADING ECONOMIC INDICATORS

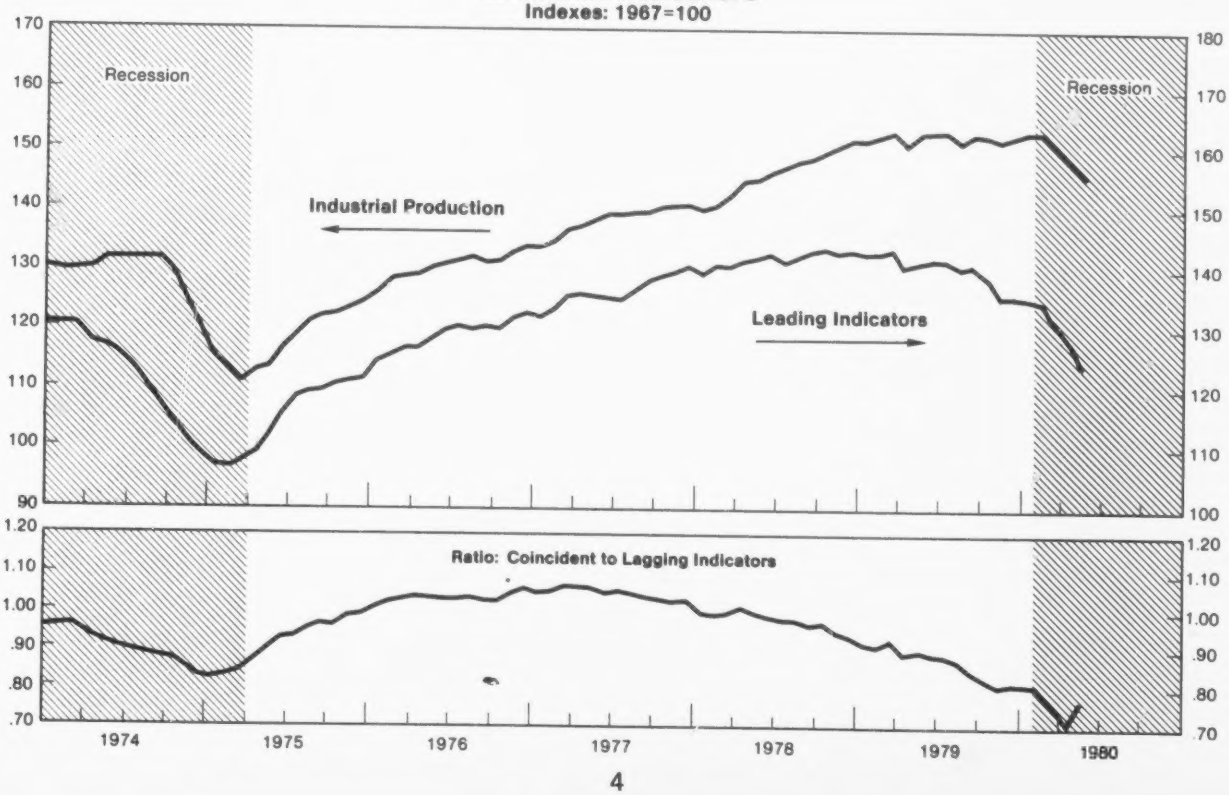
		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	May			X	— 8.7%	—12.7%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	May			X	—13.4%	—11.0%
New orders, nondefense capital goods (deflated)	May			X	— 7.4%	— 9.8%
*Net business formation	Mar.			X	— 2.4%	— 1.4%
*Housing permits	May			X	—27.8%	—49.0%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	May			X	—19.6%	—22.3%
*Change in inventory, on hand & order (deflated)	Apr.	X			+ 2.3%	—26.4%
Purchasing agents' buying policy	June			X	—13 %	—25 %
*Vendor performance, reported slower deliveries	May			X	—23.8%	—57.9%
Industrial raw materials prices	June			X	—15.6%	— 9.0%
*Change in sensitive prices	May			X	— 2.8%	— 2.0%
Sensitive Financial Flows						
*Money balance (M2, deflated)	May			X	— 2.2%	— 5.7%
Change in business loans	June			X	— 4.6%	—29.9%
*Change in liquid assets	May		X		— 0.1%	— 0.5%
Change in consumer installment debt	Apr.			X	—40.3%	—73.1%
Profitability						
Total corporate profits, after tax (deflated)	1st Q	X			+ 4.8%	+ 1.7%
*Common stock prices	June	X			+ 9.8%	+13.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	May			X	— 0.7hr	— 0.8hr
Initial unemployment claims (inverted)	May			X	—69.3%	—81.4%
*Layoff rate, mfg. (inverted)	May			X	— 2.2%	— 2.5%

Note: For historical data of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Business Conditions Digest*, (Washington, D.C.: Government Printing Office, July, 1978, p. 100. For a description of the index, see November, 1975, page V)

*These twelve series make up the composite leading index charted below.

Economic Indicators

Indexes: 1967=100



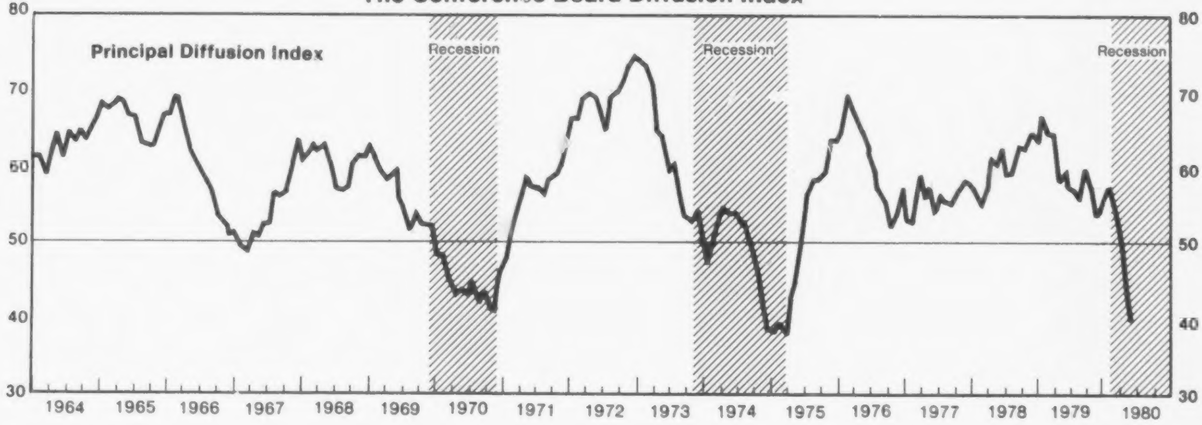
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1979 May	1980 Feb.	 Mar.	 Apr.	 May(e)
Principal Diffusion Index	58.9	55.3	50.6r	43.4r	39.9
Auxiliary Diffusion Index	53.1	43.3	34.9r	26.5r	38.8
Industrial Group	55.3	47.1	42.9	36.2r	31.0
Nonindustrial Group	62.4	63.5	58.3r	50.6r	48.8
Sense of Diffusion	1	0	0	0	—1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	60.5	52.6	49.6	41.9r	39.3
Labor	47.7	47.6	40.8	34.4	27.9
Miscellaneous	66.7	37.8	38.5	32.1	26.3
Nonindustrial Subgroups					
Prices	65.4	76.3	64.7	54.5	52.6
Consumer	79.5	76.1	69.7	59.0r	59.4
Building	44.9	39.7	33.3	27.6r	25.6
Miscellaneous	55.1	58.1	59.4r	55.1r	51.3

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1977 *Nov.*	*1978* *Feb.*	 *May*	 *Aug.*	 *Nov.*	*1979* *Feb.*	 *May*	 *Aug.*	 *Nov.*	*1980* *Feb.*	 *May*
						Score (scale 0-100)					
Measure of Business Confidence	52	52	58	49	40	43	41	32	32	40	29
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	48	46	60	58	45	47	47	28	29	36	16
2. Expectations for Economy, Six Months Ahead	49	49	54	42	33	36	33	29	29	38	31
3. Expectations for Own Industry, Six Months Ahead	58	59	60	49	43	46	43	39	38	45	40

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

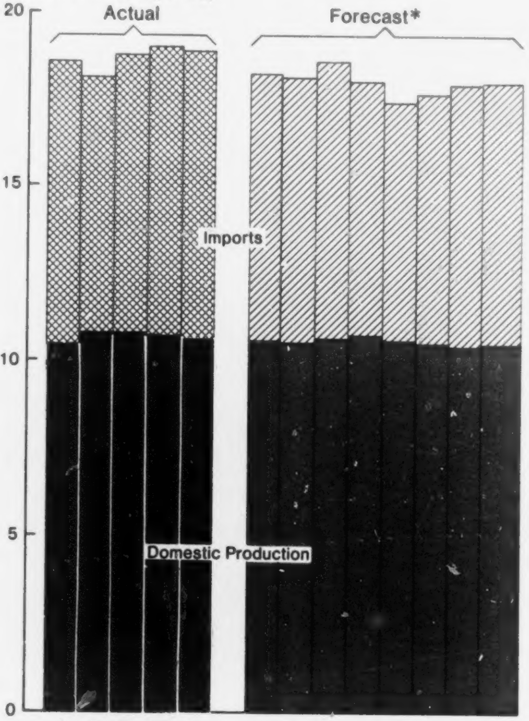
	1979			1980				1981			
					PROJECTIONS						
	II	III	IVr	Ip	II	III	IV	I	II	III	IV
1000 LARGEST MANUFACTURING FIRMS											
New appropriations	21.033	22.552	23.475	30.481	17.5	16.8	17.8	18.0	18.0	17.6	18.1
Capital expenditures	18.027	18.678	19.702	21.774	18.7	19.3	19.7	19.5	19.2	18.6	18.1
Change in appropriations backlog*	+ 1.468	+ 3.431	+ 3.523	+ 8.015	—2.8	—3.9	—3.3	—2.8	—2.7	—2.4	—1.3
Durable Goods											
New appropriations	10.672	10.384	11.845	14.339	8.2	7.7	6.9	6.4	6.4	6.9	7.3
Capital expenditures	8.379	9.126	9.630	10.619	9.3	9.4	9.1	8.5	7.7	7.0	6.4
Change in appropriations backlog*	+ 1.970	+ 1.182	+ 2.295	+ 3.228							
Nondurable Goods											
New appropriations	10.361	12.168	11.630	16.142	9.3	9.1	10.9	11.6	11.6	10.7	10.9
Capital expenditures	9.648	9.552	10.072	11.155	9.5	9.9	10.6	10.9	11.5	11.6	11.7
Change in appropriations backlog*	—0.502	+ 2.249	+ 1.228	+ 4.787							
ELECTRIC & GAS UTILITIES											
New appropriations	6.763r	10.913	8.809								
Capital expenditures	7.149r	7.139	6.994								
Change in appropriations backlog*	—1.737r	+ 3.276	—7.236								

Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request. Projections are based on The Conference Board's capital appropriations forecasting model.

r—revised p—preliminary

* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

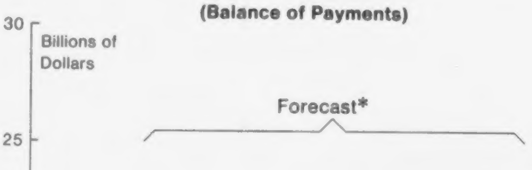
Oil Supply



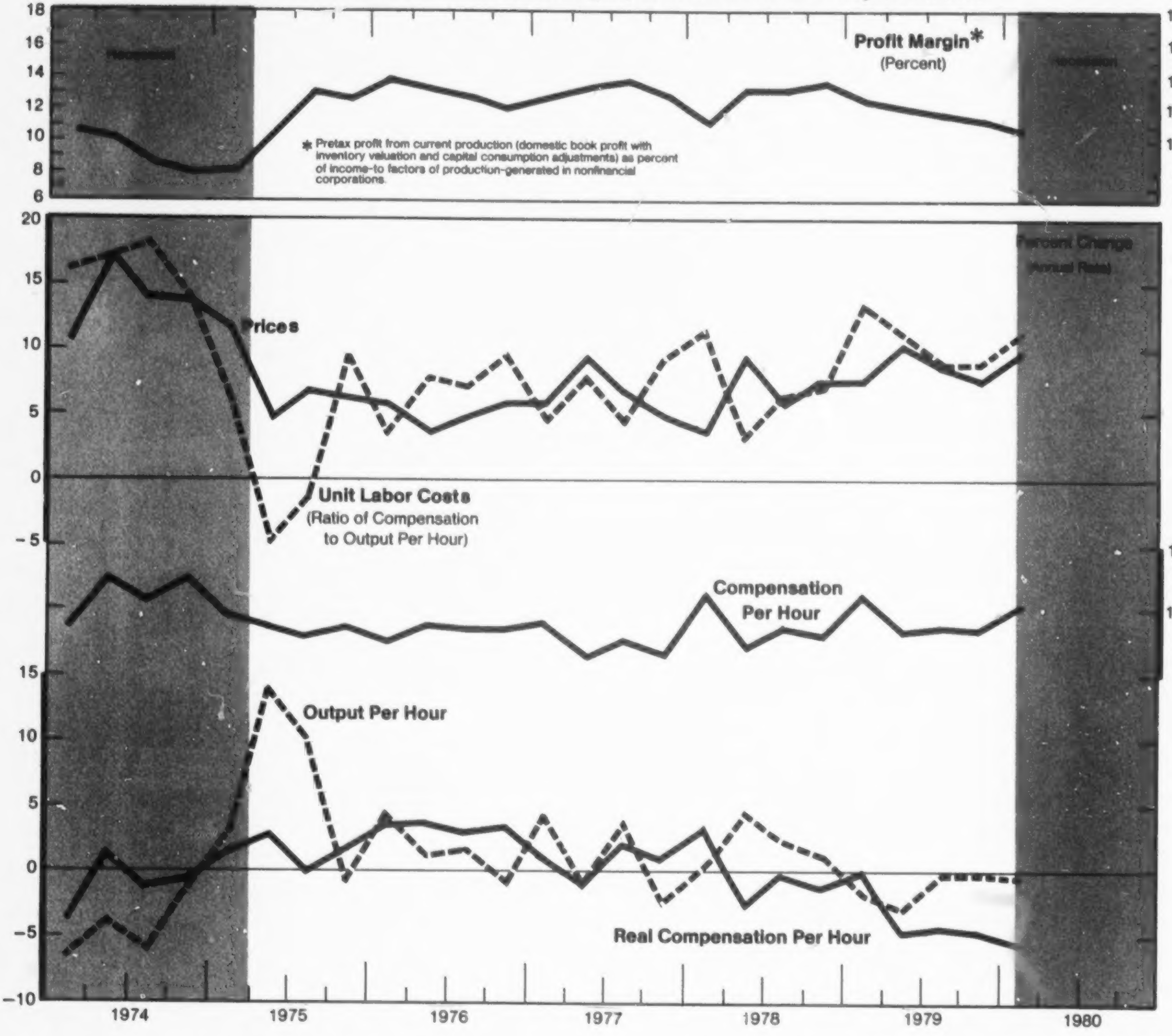
* Source of forecast is The Energy Information Administration, Department of Energy

Cost of Imported Oil

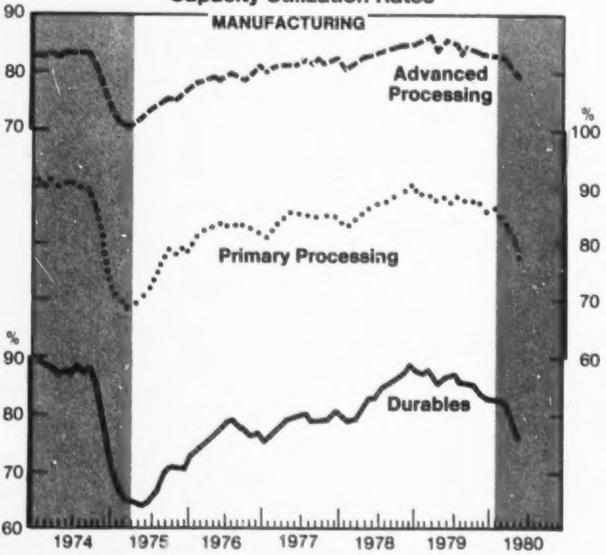
(Balance of Payments)



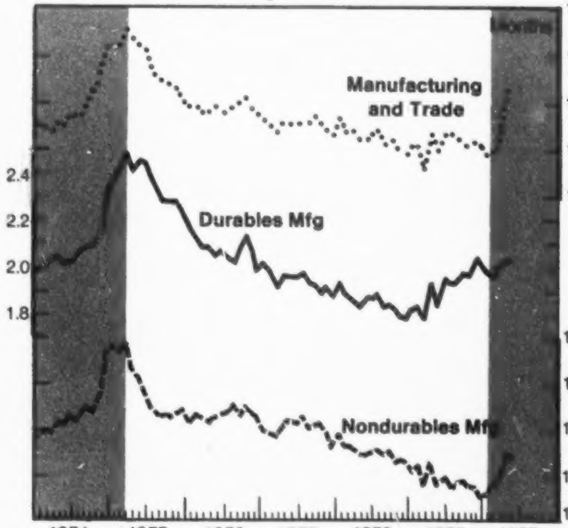
Key Determinants of Profit Margin, Nonfinancial Corporations



Capacity Utilization Rates



Inventory-Sales Ratios



Seasonally Adjusted

ECONOMIC FORECASTS

			U.C.L.A.[1]		Merrill Lynch Economics Inc.[3]		Kent Economic Institute[2]		Michigan Research Seminar in Quantitative Economics[1]	
Date of Forecast			*June, 1980*		*June, 1980*		*June, 1980*		*March, 1980*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Current Dollars										
Actual	**1980**	**I**			$2520.8	10.8%	$2520.8	10.8%		
Forecast	1980	II	$2530.7	2.3%	2522.3	0.2	2547.2	4.3	$2581.3	7.9%
		III	2549.7	3.0	2522.4	0.0	2605.9	9.5	2639.2	9.3
		IV	2598.5	7.9	2560.0	6.1	2672.2	10.6	2693.0	8.4
	1981	I	2678.1	12.8	2600.6	6.5	2732.6	9.4	2740.4	7.2
		II	2770.2	14.5	2682.3	13.2	2826.0	14.4	2798.2	8.7
		III	2863.9	14.2	2789.3	13.6	2919.6	13.9	2865.0	9.9
		IV	2972.0	16.0	2859.9	13.7	3009.6	12.9		
	1982	I			2946.5	12.7	3074.7	8.9		
	1980	Annual	2548.7	7.6	2531.4	6.9	2586.5	9.2	2611.5	10.2
	1981	Annual	2821.0	10.7	2728.0	7.8	2871.9	11.0		
Gross National Product Constant (1972) Dollars										
Actual	**1980**	**I**			$1444.7	1.2%	$1444.7	1.2%		
Forecast	1980	II	$1416.5	−7.0%	1415.1	−7.9	1428.6	−4.4	$1435.3	−3.2%
		III	1394.5	−6.1	1391.6	−6.5	1427.1	−0.4	1432.3	−0.8
		IV	1386.8	−2.2	1385.5	−1.7	1430.5	1.0	1430.0	−0.6
	1981	I	1397.8	3.2	1384.0	−0.4	1435.2	1.3	1427.4	−0.7
		II	1412.3	4.2	1404.2	6.0	1448.5	3.8	1429.2	0.5
		III	1425.6	3.8	1428.3	7.0	1456.9	2.3	1436.1	1.9
		IV	1443.1	5.0	1450.3	6.3	1467.4	2.9		
	1982	I			1470.6	5.7	1483.2	4.4		
	1980	Annual	1410.1	−1.5	1409.2	−1.6	1432.7	0.1	1436.2	0.3
	1981	Annual	1419.7	0.7	1416.7	0.5	1452.0	1.3		
Gross National Product Deflator Index, 1972 = 100										
Actual	**1980**	**I**			174.5	9.5%	174.5	9.5%		
Forecast	1980	II	178.7	10.1%	178.2	8.9	178.3	9.0	179.8	11.5%
		III	182.8	9.7	181.3	6.9	182.6	10.0	184.3	10.2
		IV	187.4	10.3	184.8	8.0	186.8	9.5	188.3	9.1
	1981	I	191.6	9.3	187.9	7.0	190.4	7.9	192.0	8.0
		II	196.1	9.9	191.0	6.8	195.1	10.2	195.8	8.2
		III	200.9	10.0	193.9	6.1	200.4	11.3	199.5	7.8
		IV	205.9	10.5	197.2	7.0	205.1	9.7		
	1982	I			200.3	6.6	207.3	4.4		
	1980	Annual	180.8	9.3	179.6	8.6	180.5	9.1	181.9	9.9
	1981	Annual	196.6	9.9	192.6	7.2	197.7	9.5		
Unemployment Rate										
Actual	**1980**	**I**			6.1%		6.1%			
Forecast	1980	II	7.4%		7.6		7.7		6.5%	
		III	8.3		8.6		8.2		7.0	
		IV	9.0		9.2		8.0		7.4	
	1981	I	9.0		9.6		7.6		7.8	
		II	8.7		9.6		7.2		8.2	
		III	8.5		9.4		7.1		8.4	
		IV	8.3		9.0		6.6			
	1982	I			8.7		6.6			
	1980	Annual	7.7		7.9		7.5		6.8	
	1981	Annual	8.6		9.4		7.1			

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (second revision) fourth quarter data.

[2] Based on revised (first revision) first quarter data.

[3] Based on revised (second revision) first quarter data.

ECONOMIC FORECASTS (continued)

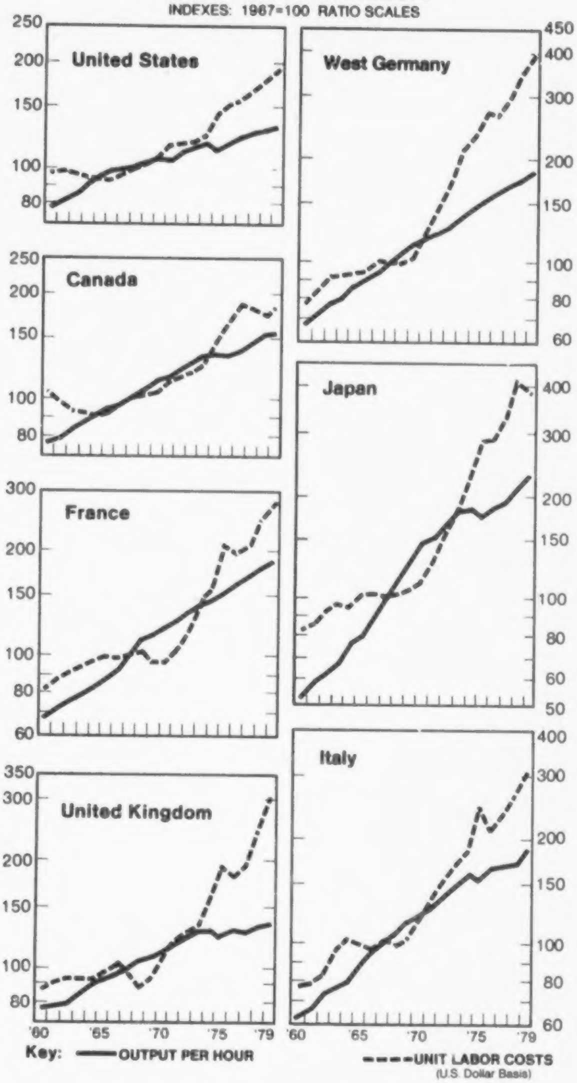
The Conference Board[1]		Chase Econometric Associates, Inc.[3]		Data Resources Inc.[3]		Wharton E.F.A. Inc.[3]				
June, 1980		*June, 1980*		*June, 1980*		*June, 1980*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Current Dollars		
$2520.8	10.8%	**$2520.8**	10.8%	**$2520.8**	10.8%	**$2520.8**	10.8%	I	**1980**	**Actual**
2502.0	−2.9	**2525.1**	0.7	**2518.4**	−0.4	**2530.0**	1.5	II	1980	Forecast
2514.0	1.9	**2532.0**	1.1	**2527.9**	1.5	**2534.8**	0.8	III		
2542.0	4.5	**2580.0**	7.8	**2568.9**	6.6	**2590.6**	9.1	IV		
2603.0	9.9	**2656.2**	12.3	**2640.7**	11.7	**2670.5**	12.9	I	1981	
2698.0	15.4	**2743.2**	13.8	**2725.5**	13.5	**2746.1**	11.8	II		
2766.0	10.5	**2813.2**	10.6	**2821.0**	14.8	**2827.2**	12.3	III		
2842.0	11.5	**2897.1**	12.5	**2924.2**	15.5	**2919.7**	13.7	IV		
		2983.6	12.5	**3027.9**	15.0	**3012.8**	13.4	I	1982	
2519.7	6.4	**2539.5**	7.2	**2534.0**	7.0	**2544.0**	7.4	Annual	1980	
2727.2	8.2	**2777.4**	9.4	**2777.8**	9.6	**2790.9**	9.7	Annual	1981	
								Gross National Product Constant (1972) Dollars		
$1444.7	1.2%	**$1444.7**	1.2%	**$1444.7**	1.2%	**$1444.7**	1.2%	I	**1980**	**Actual**
1407.1	−10.0	**1414.4**	−8.1	**1411.4**	−8.9	**1414.4**	−8.1	II	1980	Forecast
1390.9	−4.5	**1392.9**	−5.9	**1389.7**	−6.0	**1389.0**	−7.0	III		
1380.2	−3.0	**1389.2**	−1.1	**1383.3**	−1.8	**1386.4**	−0.7	IV		
1391.8	3.4	**1397.7**	2.5	**1394.5**	3.3	**1395.3**	2.6	I	1981	
1418.4	7.9	**1409.8**	3.5	**1408.4**	4.0	**1405.4**	2.9	II		
1429.0	3.0	**1419.8**	2.9	**1426.3**	5.2	**1418.7**	3.8	III		
1442.3	3.8	**1431.7**	3.4	**1444.6**	5.2	**1434.1**	4.4	IV		
		1444.1	3.5	**1464.1**	5.5	**1451.2**	4.9	I	1982	
1405.7	−1.8	**1410.3**	−1.5	**1407.3**	−1.7	**1408.6**	−1.6	Annual	1980	
1420.4	1.0	**1414.7**	0.3	**1418.4**	0.8	**1413.4**	0.3	Annual	1981	
								Gross National Product Deflator Index, 1972 = 100		
174.5	9.5%	**174.5**	9.5%	**174.5**	9.5%	**174.5**	9.5%	I	**1980**	**Actual**
177.8	7.8	**178.5**	9.6	**178.4**	9.4	**178.9**	10.4	II	1980	Forecast
180.7	6.8	**181.8**	7.5	**181.9**	8.0	**182.5**	8.3	III		
184.2	7.8	**185.7**	9.0	**185.7**	8.6	**186.9**	9.9	IV		
187.0	6.3	**190.0**	9.6	**189.4**	8.1	**191.4**	10.1	I	1981	
190.2	7.0	**194.6**	9.9	**193.5**	9.1	**195.4**	8.6	II		
193.6	7.2	**198.1**	7.5	**197.8**	9.1	**199.3**	8.2	III		
197.0	7.4	**202.4**	8.8	**202.4**	9.7	**203.6**	8.9	IV		
		206.6	8.7	**206.8**	9.0	**207.6**	8.1	I	1982	
179.3	8.4	**180.1**	8.9	**180.1**	8.9	**180.7**	9.2	Annual	1980	
192.0	7.1	**196.3**	9.0	**195.8**	8.7	**197.4**	9.3	Annual	1981	
								Unemployment Rate		
6.1%		**6.1%**		**6.1%**		**6.1%**		I	**1980**	**Actual**
7.6		**7.5**		**7.6**		**7.6**		II	1980	Forecast
8.5		**8.2**		**8.3**		**8.1**		III		
9.0		**8.7**		**8.8**		**8.5**		IV		
8.9		**8.6**		**9.0**		**8.5**		I	1981	
8.2		**8.5**		**8.8**		**8.4**		II		
7.9		**8.6**		**8.6**		**8.3**		III		
7.6		**8.5**		**8.4**		**8.1**		IV		
		8.3		**8.1**		**7.7**		I	1982	
7.8		**7.6**		**7.7**		**7.8**		Annual	1980	
8.1		**8.5**		**8.7**		**8.3**		Annual	1981	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

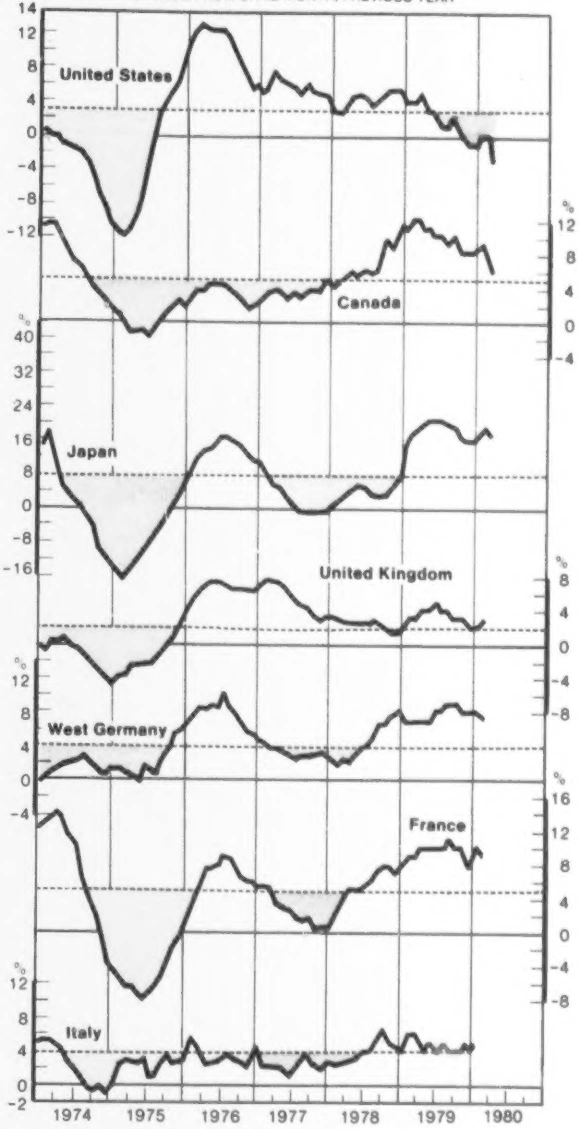
PRODUCTIVITY AND COSTS

INDEXES: 1967=100 RATIO SCALES

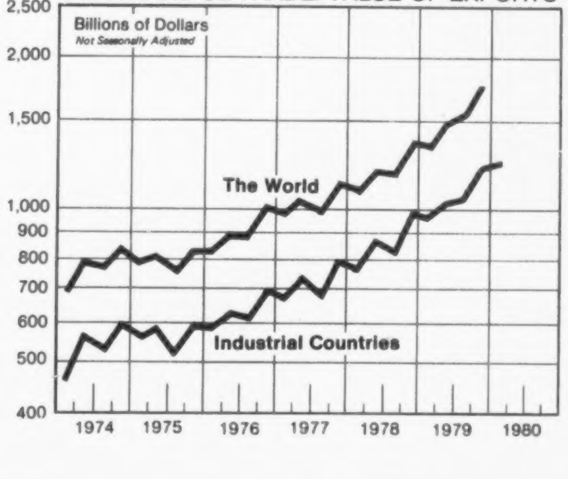


LEADING BUSINESS CYCLE INDEXES

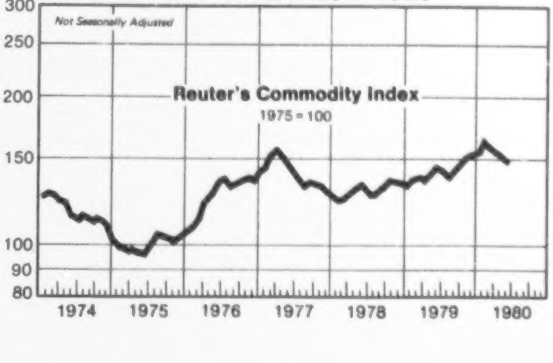
CHANGE FROM SAME MONTH, PREVIOUS YEAR



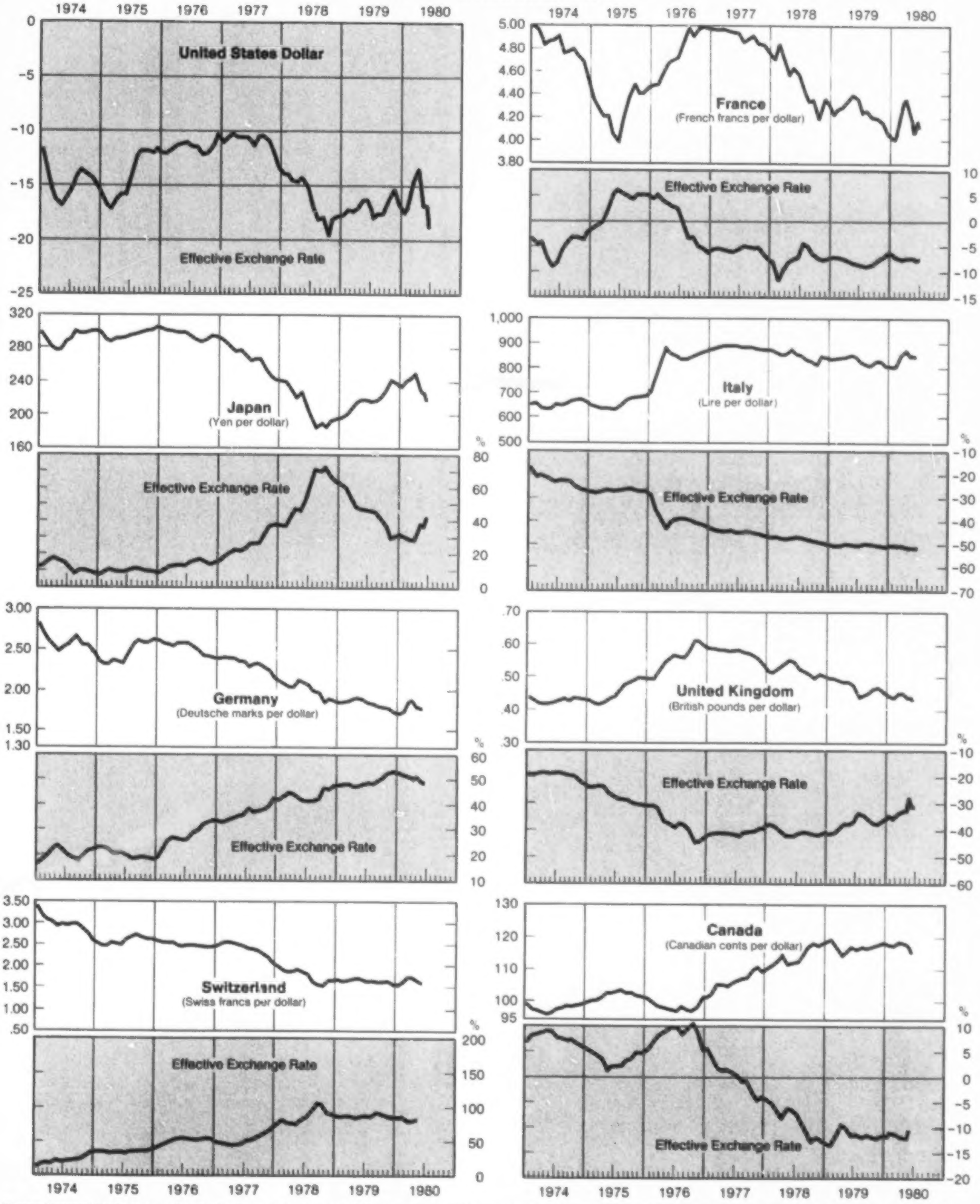
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies weighted according to the average bilateral manufactures trade of 1976, changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

Source: Morgan Guaranty Trust.

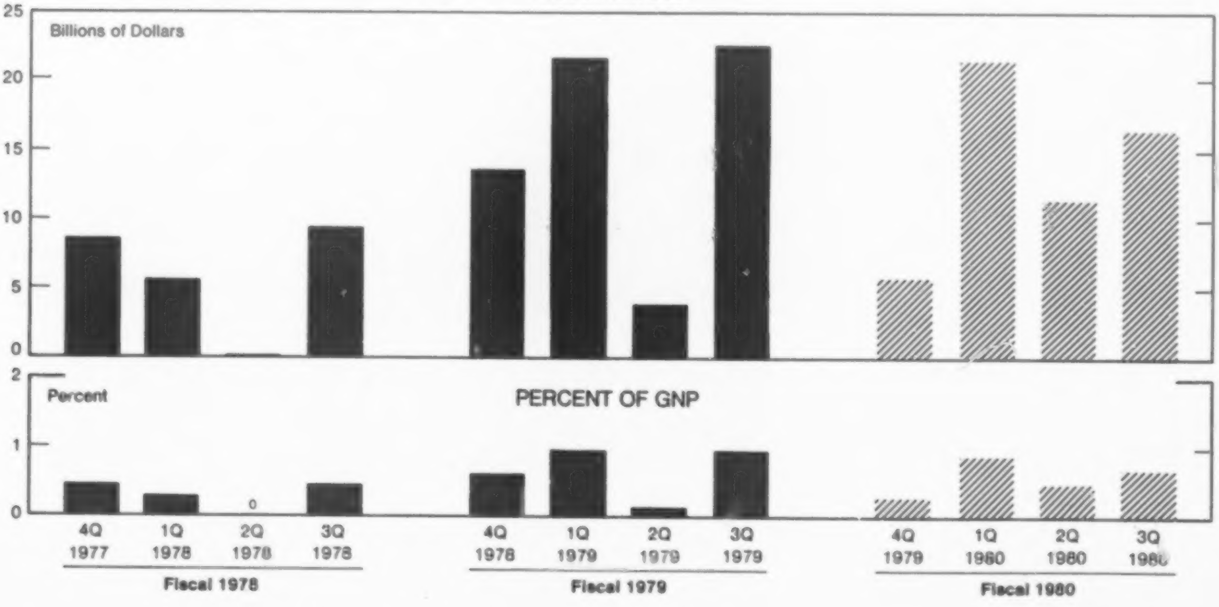
PERSPECTIVE ON THE FEDERAL BUDGET

($ Billions)

	Fiscal 1980			Fiscal 1981		
	Current Services (1/22/79)	Latest President's Proposal (3/31/80)	Congressional Resolution (6/12/80)	Current Services (1/28/80)	Latest President's Proposal (3/31/80)	Congressional Resolution (6/12/80)
Receipts	**$504.5**	**$532.4**	**525.7**	**579.0**	**628.0**	**613.8**
Outlays	**536.1**	**568.9**	**572.5**	**612.0**	**611.5**	**613.6**
Deficit	**—31.6**	**—36.5**	**46.8**	**—33.0**	**+ 16.5**	**0.2**
Receipts by source	**504.5**	**532.4**	**525.7**	**579.0**	**628.0**	**613.8**
Individual income taxes	229.6	241.5	241.0	273.3	279.9	283.1
Corporate income taxes	71.0	74.2	71.4	74.7	74.1	67.6
Social insurance	161.2	163.5	163.5	186.0	188.9	189.9
Other receipts	42.7	53.2	49.8	45.0	85.1	74.2
Outlays by function	**536.1**	**568.9**	**572.5**	**612.0**	**611.5**	**613.6**
Income security	179.5	190.0	191.7	219.9	220.1	219.6
National defense	125.5	134.0	135.7	142.4	150.5	153.7
Health	55.1	56.5	56.5	63.4	61.9	61.7
Education and manpower	31.0	30.1	29.9	32.5	30.6	29.5
Veterans' benefits	20.4	20.7	20.5	21.7	21.4	21.2
Transportation	18.0	20.5	20.1	20.1	19.0	18.8
Natural resources and environment	11.8	12.8	13.6	12.8	12.5	12.1
Revenue sharing	9.2	8.8	8.6	8.5	7.4	6.8
International affairs	7.9	11.1	10.5	9.6	10.1	9.5
Community development	7.2	9.0	9.7	8.5	8.5	9.2
Energy	8.0	6.8	6.4	7.1	6.9	6.8
General science	5.4	5.9	5.9	6.3	6.2	6.1
General government	4.2	4.8	4.4	4.9	4.8	4.3
Justice	4.3	4.6	4.4	4.7	4.6	4.6
Agriculture	5.0	5.1	5.9	3.2	2.0	2.3
Commerce and housing credit	3.4	6.2	6.1	0.8	0.4	0.0
Interest	57.1	64.3	65.1	68.4	68.4	72.2
Allowances	2.1	—	0.0	2.4	1.4	0.0
Undistributed offsetting receipts	—19.0	—22.2	—22.3	—25.1	—24.9	—24.7

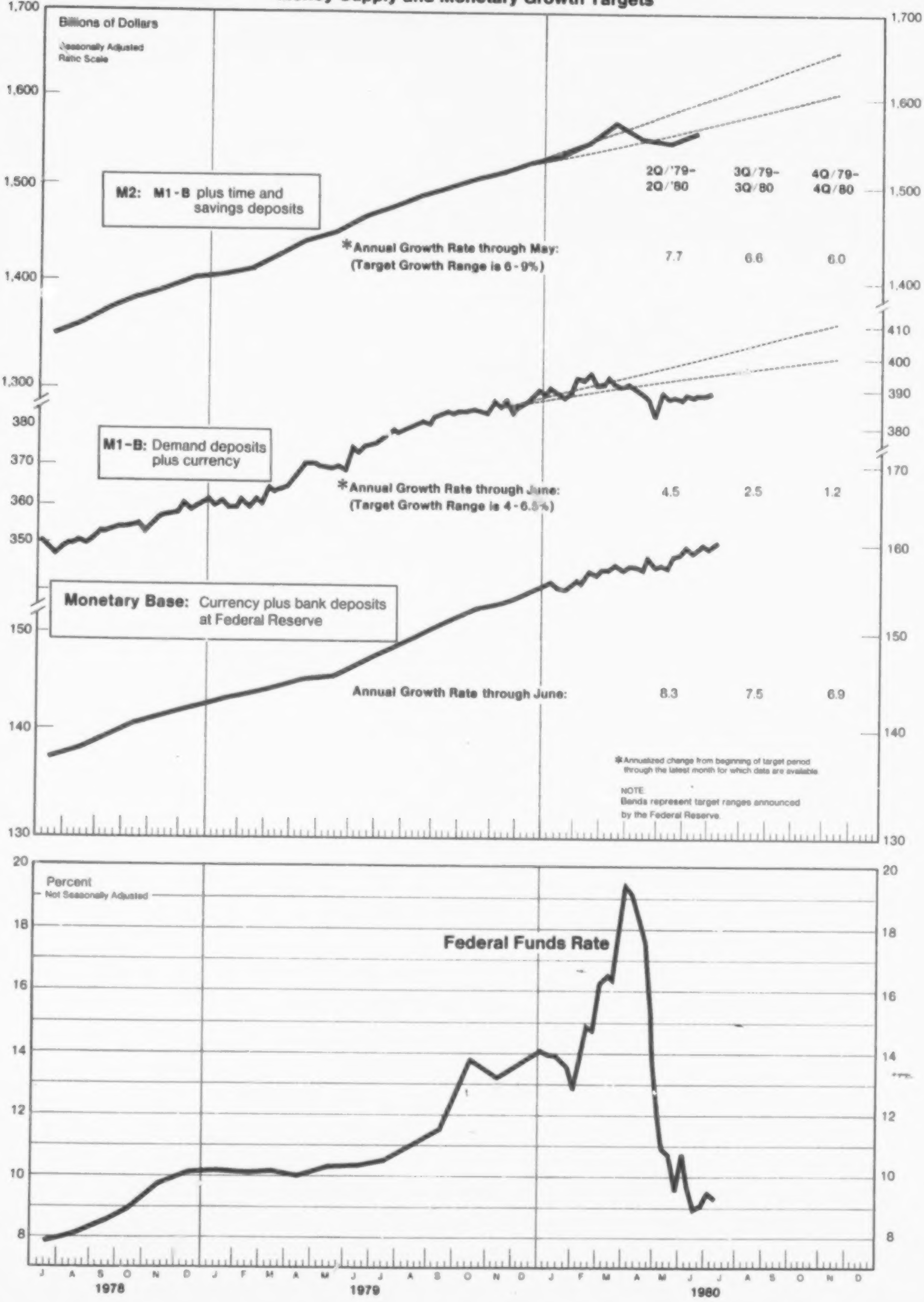
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy*, Fiscal 1977, No. 2, The Conference Board, New York: 1976

Money Supply and Monetary Growth Targets



*Annualized change from beginning of target period through the latest month for which data are available

NOTE:
Bands represent target ranges announced by the Federal Reserve.

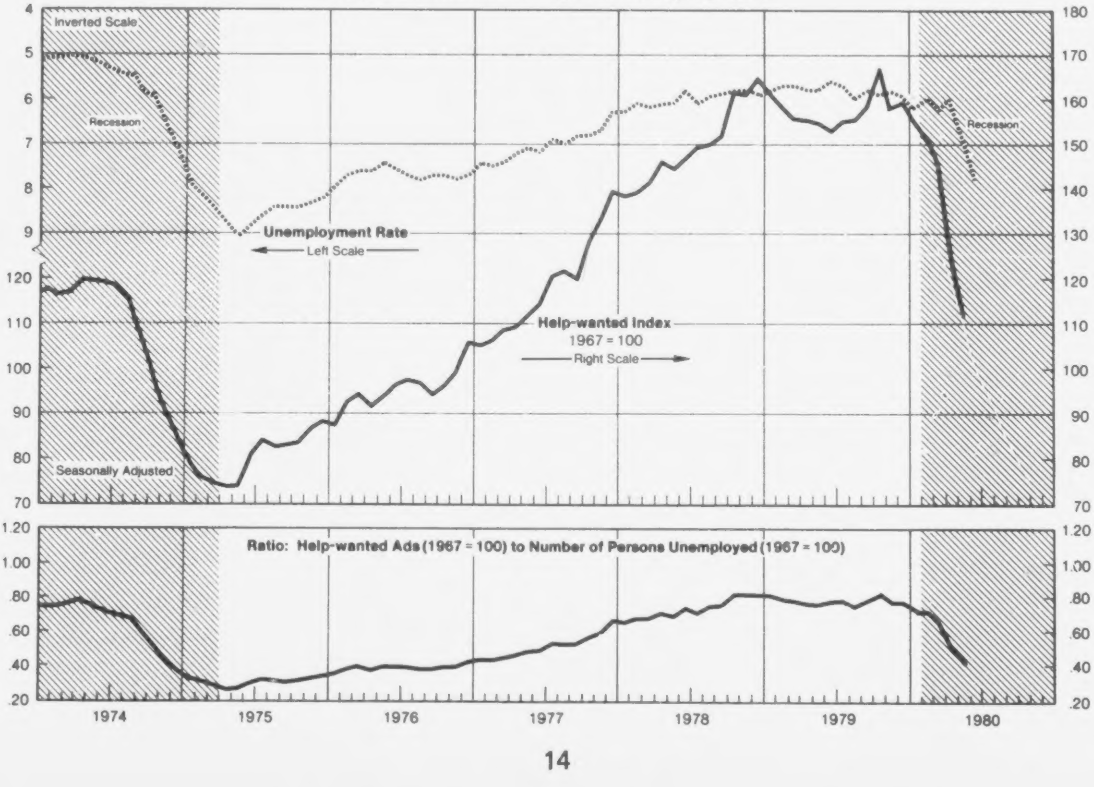
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1980			1979
	May	**Apr.**	**Mar.**	**May**
Total Index 51 papers	112	122	145	154
New England	113	117	134	135
Boston	122	124	141	142
Hartford	130	139	160	152
Providence	69	76	86	98
Middle Atlantic	57	59	67	70
Albany	78	85	103	104
Allentown	100	134	123	152
New York	54	52	58	58
Philadelphia	49	53	59	64
Pittsburgh	71	77	98	99
Rochester	52	58	66	78
Syracuse	71	72	78	93
East North Central	69	78	93	123
Chicago	67	74	87	116
Cincinnati	100	118	133	171
Cleveland	61	75	92	114
Columbus	99	114	134	162
Dayton	64	69	83	101
Detroit	48	56	68	99
Gary	96	100	132	197
Indianapolis	85	92	109	150
Milwaukee	64	79	93	119
Toledo	88	102	116	151
West North Central	80	93	114	134
Kansas City	93	109	135	155
Minneapolis	87	107	137	146
Omaha	101	118	138	169
St. Louis	58	62	72	100
South Atlantic	117	129	155	150
Atlanta	170	193	231	223
Baltimore	74	83	99	105
Charlotte	96	112	136	133
Jacksonville	113	118	132	129
Miami	132	150	177	153
Richmond	83	87	102	117
Washington, D.C.	119	124	154	147
East South Central	106	122r	140r	163
Birmingham	119	124	150	189
Knoxville	183	194	236	220
Louisville	59	67r	87	106
Memphis	102	104	119r	128
Nashville	112	166	162	212
West South Central	240	253	297	291
Dallas	218	233	286	250
Houston	344	363	420	416
New Orleans	171	172	194	199
Oklahoma City	184	192	228	265
San Antonio	153	164	189	178
Tulsa	195	212	247	252
Mountain	236	260	319	378
Denver	184	221	272	300
Phoenix	270	298	367	406
Salt Lake City	289	281	342	490
Pacific	172	189	225	211
Los Angeles	148	167	204	180
Sacramento	239	254	314	315
San Bernardino	120	143	156	158
San Diego	265	294	344	330
San Francisco	182	187	220	207
Seattle	200	215	242	272
Percentage of papers with rising volume	4%	4%	20%	39%
Unemployment rate	7.8%	7.0%	6.2%	5.8%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

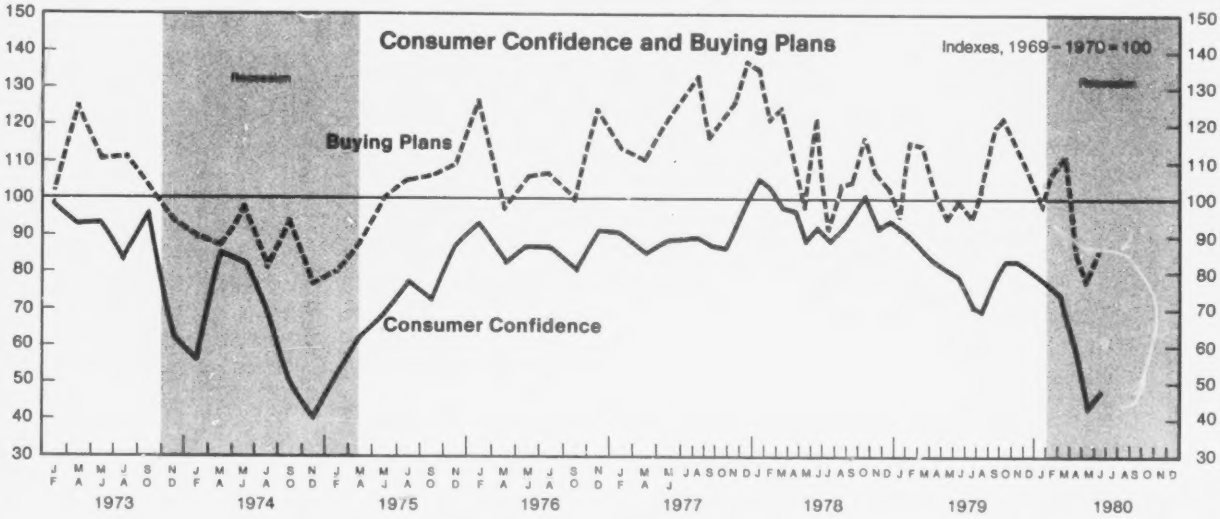
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1978	105.2	103.8	97.3	96.9	88.8	92.5	88.8	91.4	95.4	101.4	91.8	94.0
1979	91.7	91.4	84.9	82.2	80.8	78.5	70.0	69.0	78.2	83.6	83.0	80.8
1980	79.1	76.4	71.5	52.9	42.1r	48.0p						

Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1978	134.3	120.7	124.3	109.5	97.1	121.7	91.2	104.0	104.2	116.9	106.4	103.1
1979	95.1	115.4	114.4	100.6	95.4	99.6	94.6	101.7	119.4	121.9	113.4	107.2
1980	99.2	107.0	116.4	85.3	76.2r	87.2p						

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

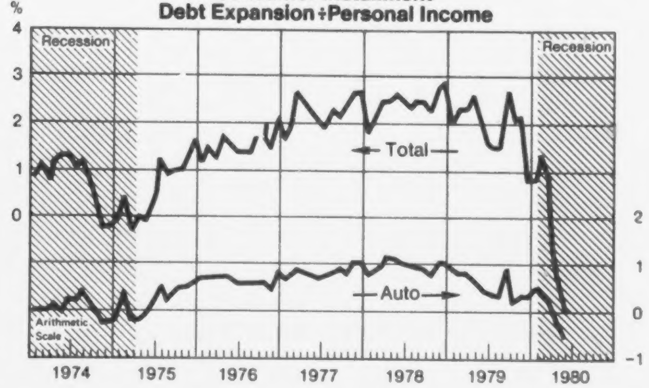
Billions of Dollars; Quarterly Data are Seasonally Adjusted at Annual Rates

		Aggregate Purchasing Power	Discretionary Purchasing Power	Discretionary Saving	Discretionary Spending	Discretionary Purchasing Power as % of Aggregate	Discretionary Spending as % of Aggregate	Discretionary Spending as % of Discretionary Purchasing Power
1975	I	$1075.2	$399.5	$ 67.5	$332.0	37.2%	30.9%	83.1%
	II	1155.6	469.7	125.2	344.5	40.6	29.8	73.3
	III	1160.5	453.4	125.8	327.6	39.1	28.2	72.3
	IV	1220.9	485.4	118.8	366.6	39.8	30.0	75.5
1976	I	1258.3	499.9	133.5	366.4	39.7	29.1	73.3
	II	1288.1	507.0	120.3	386.7	39.4	30.0	76.3
	III	1308.4	514.5	125.5	389.0	39.3	29.7	75.6
	IV	1343.4	533.7	118.2	415.5	39.7	30.9	77.9
1977	I	1394.3	560.4	139.4	421.0	40.2	30.2	75.1
	IIr	1432.2	583.3	143.2	440.1	40.7	30.7	75.4
	IIIr	1520.5	602.0	171.0	431.0	39.6	28.3	71.6
	IVr	1526.1	624.9	146.1	478.8	40.9	31.4	76.6
1978	Ir	1559.9	648.3	141.4	506.9	41.6	32.5	78.2
	IIr	1633.1	680.8	176.8	504.0	41.7	30.9	74.0
	IIIr	1672.4	693.1	184.2	508.9	41.4	30.4	73.4
	IVr	1701.4	690.9	150.3	540.6	40.6	31.8	78.2
1979	Ip	1746.1	712.2	149.5	562.7	40.8	32.2	79.0

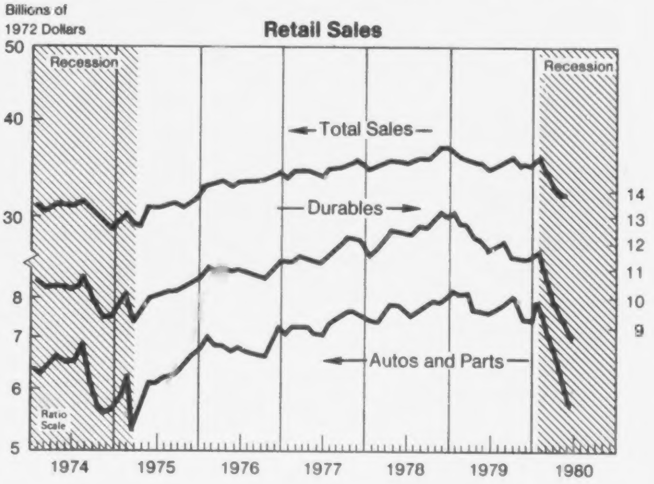
Note: For an explanation of discretionary purchasing power and spending, see Morton Ehrlich, *Discretionary Spending*, (The Conference Board, 1966).

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



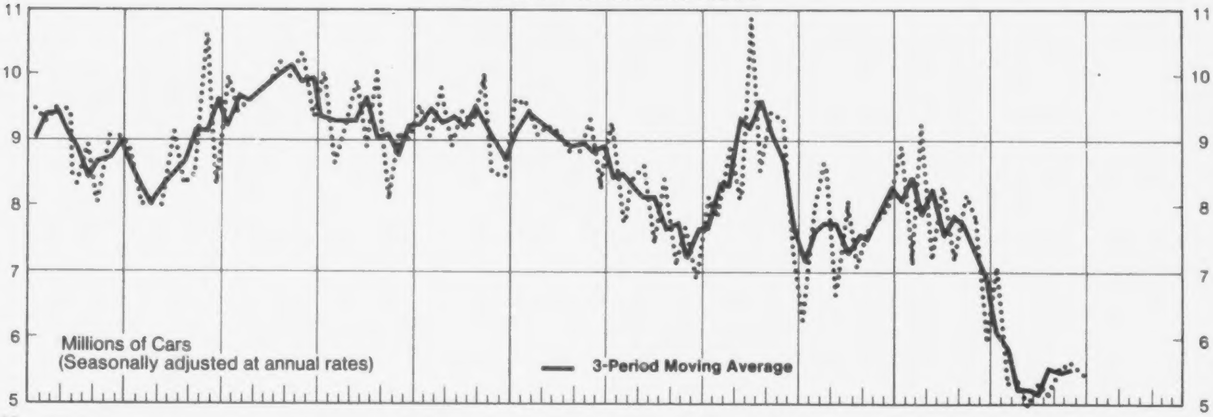
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

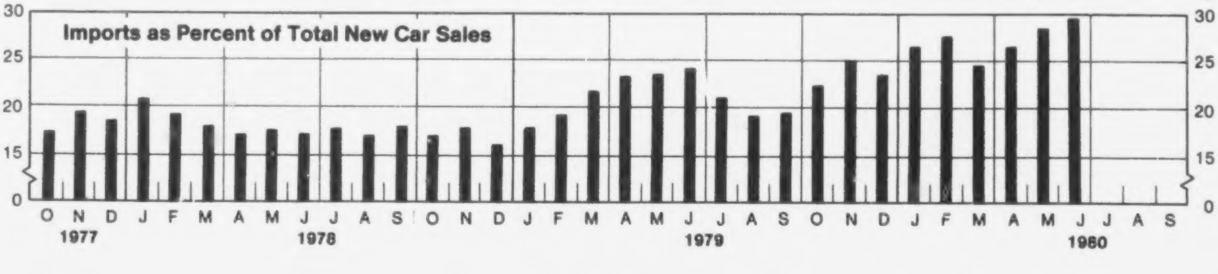
Millions, Seasonally Adjusted at Annual Rate

Periods		1977	1978	1979	1980
January:	1-10	9.25	8.86	9.60	8.97
	11-20	9.51	8.03	9.55	7.19
	21-31	8.68	8.03	9.11	9.23
February:	1-10	9.83	8.00	9.20	7.28
	11-20	8.20	9.15	9.13	8.28
	21-28(29)	9.10	8.35	8.82	7.20
March:	1-10	9.86	8.49	8.83	8.11
	11-20	7.81	10.62	9.32	7.84
	21-31	9.69	8.32	8.29	5.98
April:	1-10	7.88	9.96	9.28	7.05
	11-20	9.25	9.44	7.79	5.27
	21-30	9.00	9.64	8.48	5.38
May:	1-10	9.21	9.72	8.52	4.95
	11-20	8.84	9.85	7.41	5.28
	21-31	9.04	10.22	8.42	5.15
June:	1-10	9.75	9.94	6.98	5.57
	11-20	9.31	10.38	7.59	5.60
	21-30	9.60	9.36	6.83	5.41
July:	1-10	9.25	10.04	8.16	
	11-20	8.30	8.69	7.87	
	21-31	9.18	9.15	8.94	
August:	1-10	9.26	9.89	8.17	
	11-20	9.38	8.89	10.88	
	21-31	9.62	10.07	8.57	
September:	1-10	9.60	8.14	9.44	
	11-20	9.14	9.07	9.34	
	21-30	8.31	9.02	7.26	
October:	1-10	9.45	9.57	6.24	
	11-20	9.31	9.08	8.04	
	21-31	9.50	9.82	8.64	
November:	1-10	9.46	8.92	6.65	
	11-20	8.34	9.44	8.07	
	21-30	8.91	9.24	7.08	
December:	1-10	8.06	10.00	7.63	
	11-20	9.07	8.57	7.83	
	21-31	9.07	8.41	8.06	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.

Domestic-Model Car Sales





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STATISTICAL BULLETIN

Volume 13 No. 8, August, 1980

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THE CONFERENCE BOARD

STATISTICAL REFERENCE INDEX
ACQUISITIONS
7101 WISCONSIN AVE., SUITE 900
WASHINGTON, D. C. 20014

comment This seventh bout of recession in the post-World War II era is now more than half a year old, and there are suggestions that it is also more than half over. Half of the *Economic Forecasts*, including that from The Conference Board, now indicate that a recovery will get under way in the fourth quarter of 1980, and none expects the recession to continue into 1981. The timing and strength of a turnaround in consumer market activity are key determinants of how soon any recovery will get started. It is quite apparent that business investment is going nowhere but down. It is also clear that any strength that develops for recovery will have to do so without the aid of economic stimulus. Monetary and fiscal policy are, at the moment, in a restrictive anti-inflationary stance.

Consumer market activity fell quite sharply in the first half of this year. Retail sales, adjusted for inflation, were 9.6% lower in May than in January. Consumer attitudes turned sharply pessimistic. The Conference Board's *Consumer Confidence Index* had dropped to 42.1 by May (1969-1970 = 100), which was about as low as that series went in the last recession. And consumers were repaying debt at about the same quick pace as that at which they had borrowed one year earlier.

In the past two months, however, consumer attitudes have rebounded a bit, perhaps in response to the lifting of credit controls and the slowing in consumer price increases. The *Consumer Confidence Index* stood at 58.1 in July. Still, the surveys show that consumers remain concerned about the present economic situation, with the improvement in attitudes founded on a more positive outlook for six months hence.

The real volume of retail sales appears to have leveled off in June and July. Even *Automobile Sales*, one segment of economic activity very severely affected by the recession, seems to be stabilizing—although at a very low level. And the net repayment of consumer debt, which continued in June, puts consumer finances in better shape. In sum, the potential for a consumer rebound, while not conclusive, is certainly greater now than it was only a short while ago.

Industrial production and capacity utilization were significantly lower at midyear than at the beginning of the year. The industrial production index in June was down 7.5% from January, a decline that tracks the drop that occurred in the last recession remarkably closely. As the accompanying chart shows, however, it would have to drop much further to match the 1974-1975 experience. Yet, if there is a leveling off in consumer market activity, industrial production could bottom out shortly even though business investment in plant and equipment is quite weak.

The composite index of *Leading Economic Indicators* rose substantially in June. Although there is generally a question of whether one month's reading is an aberration or the beginning of a new trend, this and other evidence for June and July indicate a lessening in the recession's severity, and the possibility that the trough will be reached in a few months.

All of the *Economic Forecasts* were updated in July and they are unanimously more optimistic now than they were only a month ago. Real GNP declined at a very sharp 9.1% annual rate (seasonally adjusted) in the second quarter of 1980. The median of the forecasts shows that real output is falling at about half that rate (4.5%) in the third quarter, and will be essentially unchanged in the fourth quarter (—0.1%). The median of forecasts one month earlier had real GNP declining by 5.9% and 1.1% in the third and fourth quarters, respectively—with a few models showing the recession continuing into the early months of 1981. Not one of the current forecasts shows the recession running on into 1981, and about half have the recession ending in the current quarter.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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THE CONFERENCE BOARD IN CANADA
25 McArthur Road
Ottawa, Ontario, K1L-6R3. Canada

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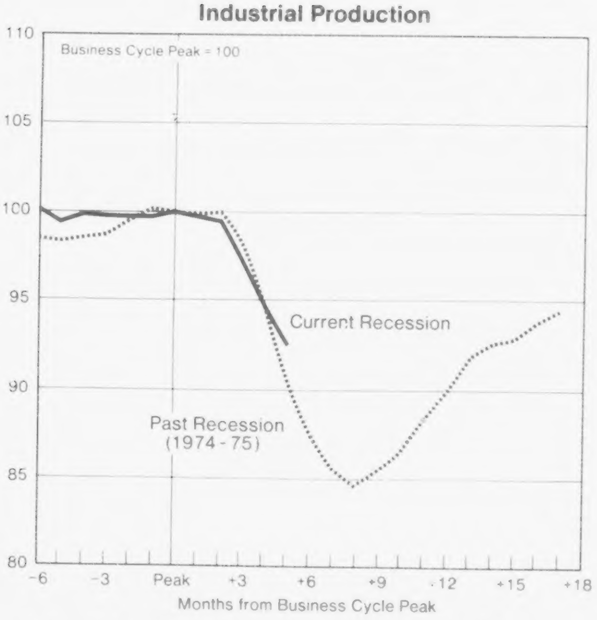
845 Third Avenue
New York, New York 10022

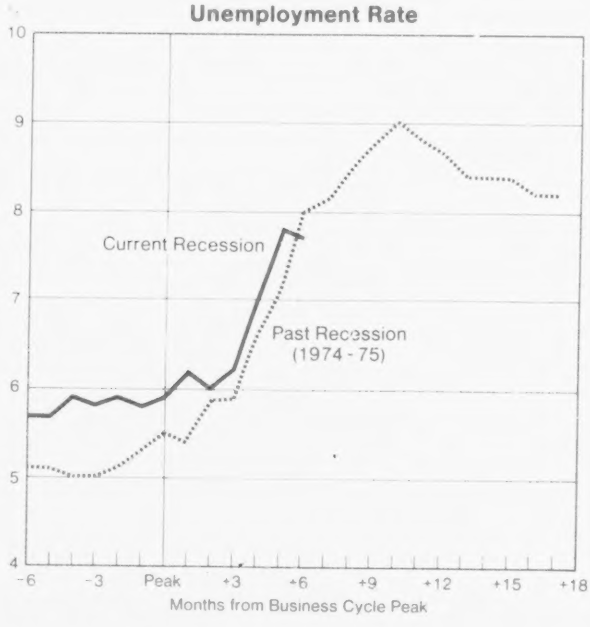
THE CONFERENCE BOARD IN EUROPE
Avenue Louise, 326-Bte 48
B-1050 Brussels, Belgium

The decline in overall activity in the second quarter resulted in a significant rise in unemployment. The national unemployment rate rose from 6.2% in March to 7% in April to 7.8% in May, then held at that level in June and July. The Conference Board's *Help- wanted Index*, a measure of the availability of jobs, shows a similar pattern. This index dropped from a peak level of 167 (1967 = 100) last October to 112 in May, then rose to 115 in June. (Partial returns show it might be up slightly in July.) The *Economic Forecasts* indicate that while the unemployment rate can be expected to rise further, it is not likely to rise as sharply as it did earlier in the recession. The median of the forecasts is that the unemployment rate will average 8.2% in the third quarter and 8.4% in the fourth quarter, and that that is about as high as it will go in this downturn. While there remains a chance that the unemployment rate could rise above 9%, as some of the more pessimistic forecasts indicate, that probability appears to be lower than it seemed only a month ago.

The decline in economic activity is leading to some abatement in the inflationary spiral. As measured by the implicit price deflator for GNP, the rate of inflation in the second quarter was 10.4%, compared with 9.5% in the first quarter. The median of the forecasts is for the inflation rate to drop to 8.1% in the third quarter. Reducing the rate of inflation has been one of the principal aims of both monetary and fiscal policy. New estimates of revenues and expenditures are included in the *Prospective on the Federal Budget* table. The anticipated impact of these proposals is shown in the *Fiscal Thrust* chart. What these data show is that, contrary to the usual practice of imparting some fiscal stimulus to help curtail a downturn in economic activity, a rather restrictive fiscal stance has been proposed with the express purpose of containing inflation. Likewise, data on the *Money Supply and Monetary Policy* chart show that the monetary aggregates are expanding at rates below the targets set by the Open Market Committee. Yet, the Federal Reserve has stated that it will not allow a spurt in the money supply to get it back into the target ranges.

Ken Goldstein





Note August 1974 is charted as the peak month for the 1974 - 75 recession January 1980 is charted as the peak month for the current recession

STATUS OF LEADING ECONOMIC INDICATORS

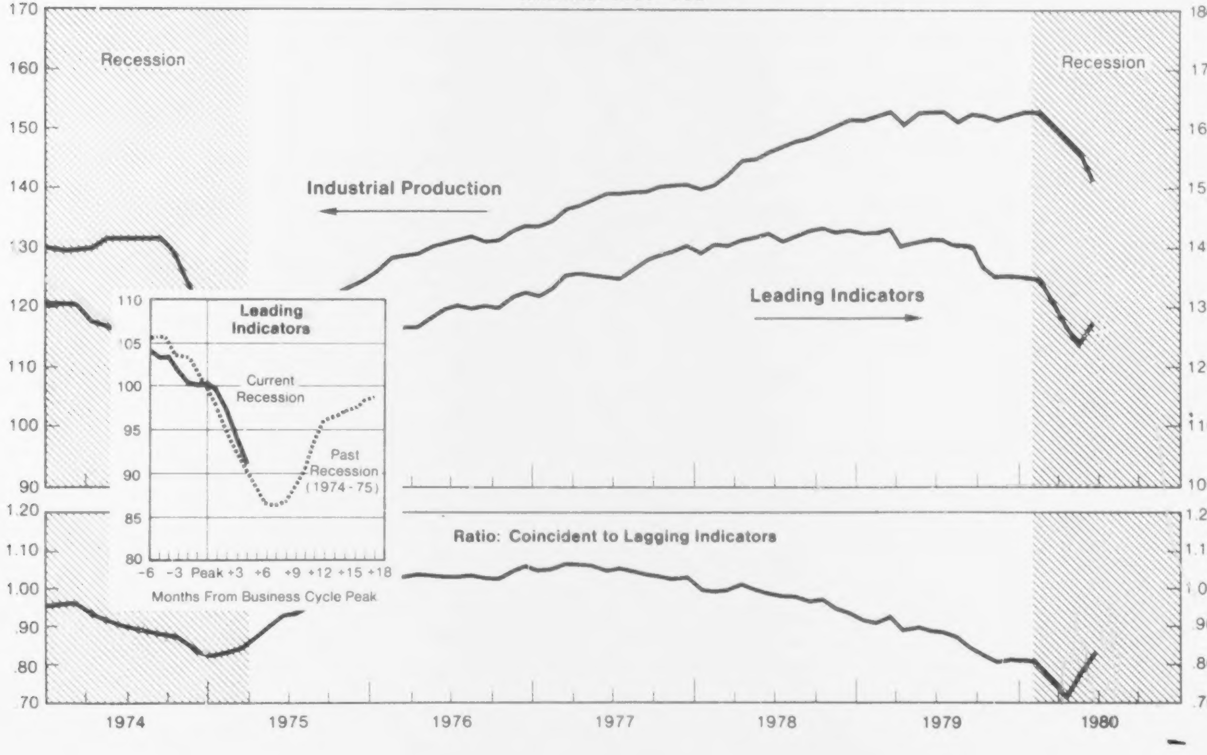
		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	May			X	—8.7%	—12.7%
Capital Investment Commitments						
*Contracts & orders, plant & equipment (deflated)	May			X	—13.4%	—11.0%
New orders, nondefense capital goods (deflated)	May			X	— 7.4%	— 9.8%
*Net business formation	Mar.			X	— 2.4%	— 1.4%
*Housing permits	May			X	—27.8%	—49.0%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	May			X	—19.6%	—22.3%
*Change in inventory, on hand & order (deflated)	Apr.	X			+ 2.3%	—26.4%
Purchasing agents' buying policy	July			X	—11 %	—16 %
*Vendor performance, reported slower deliveries	May			X	—23.8%	—57.9%
Industrial raw materials prices	June			X	—15.6%	— 9.0%
*Change in sensitive prices	May			X	— 2.8%	— 2.0%
Sensitive Financial Flows						
*Money balance (M1-B deflated)	May			X	— 2.2%	— 5.7%
Change in business loans	June			X	— 4.6%	—29.9%
*Change in liquid assets	May		X		— 0.1%	— 0.5%
Change in consumer installment debt	Apr.			X	—40.3%	—73.1%
Profitability						
Total corporate profits, after tax (deflated)	4th Q	X			+ 4.8%	+ 1.7%
*Common stock prices	June	X			+ 9.8%	+ 13.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	June			X	— 0.7hr.	— 1.1hr.
Initial unemployment claims (inverted)	May			X	—69.3%	—81.4%
*Layoff rate, mfg. (inverted)	May			X	— 2.2	— 2.5

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Business Conditions Digest*, (Washington, D.C.: Government Printing Office) November, 1975, page V.

*These twelve series make up the Composite Leading Index charted below.

Economic Indicators

Indexes: 1967=100



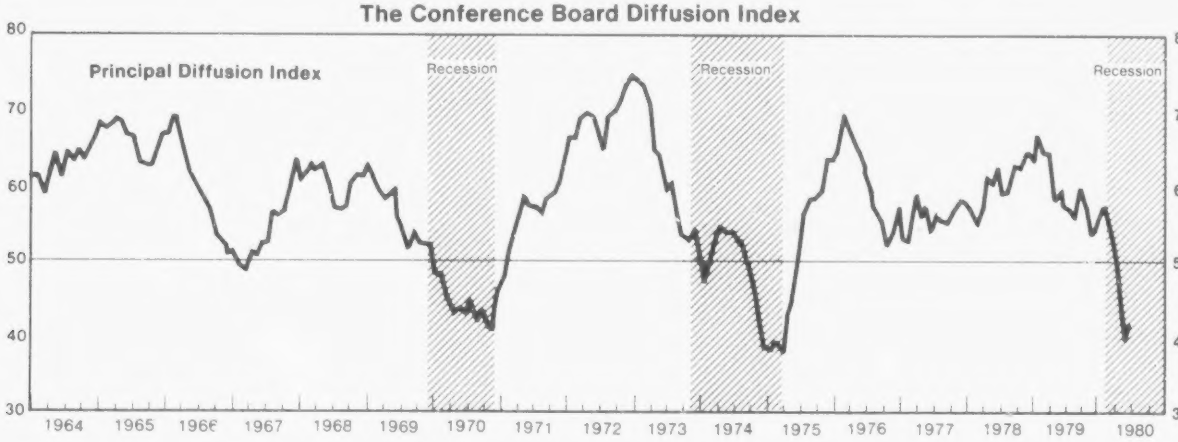
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1979 June	1979 Mar.	1980 Apr.	1980 May	1980 June(e)
Principal Diffusion Index	57.4	50.2r	44.1r	39.8r	41.9
Auxiliary Diffusion Index	45.2	35.0r	30.3r	36.0r	56.7
Industrial Group	53.0	42.1r	36.1r	30.2r	33.7
Nonindustrial Group	61.8	58.3	52.2r	49.5r	50.1
Sense of Diffusion	1.0	0	0	1.0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	65.0	49.6	41.9	34.2r	32.5
Labor	44.0	39.0r	34.2r	29.4r	36.0
Miscellaneous	57.7	38.5	32.1	26.3	29.5
Nonindustrial Subgroups					
Prices	70.5	64.7	54.5	52.6	50.6
Consumer	72.2	69.7	64.1r	59.0r	64.5
Building	44.9	33.3	27.6	25.6	31.7
Miscellaneous	56.8	59.4	55.1	53.8r	47.6

Note: The principal diffusion index reflects the frequency of upward change in 20 component series over the 12-month period ending in the month indicated. The index is based solely on the direction of change from month to month and not on the magnitude of such changes. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than that of earlier movements. If, for example, ten of the component series had increased and ten had decreased in each of the last twelve months, the current index would register a value of 50. But, because of weighting, the index would be considerably greater than 50, if all the series had increased in each of the last six months and had fallen in each of the first six months of the interval. The index closely coincides with turning points at the peak of a business cycle but tends to lag at troughs. For an explanation of the diffusion indexes and their components, see Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966, pp. 12-15.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1977 Nov.	1978 Feb.	1978 May	1978 Aug.	1978 Nov.	1979 Feb.	1979 May	1979 Aug.	1979 Nov.	1980 Feb.	1980 May
	Score (scale 0-100)										
Measure of Business Confidence	52	52	58	49	40	43	41	32	32	40	29
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	48	46	60	58	45	47	47	28	29	36	16
2. Expectations for Economy, Six Months Ahead	49	49	54	42	33	36	33	29	29	38	31
3. Expectations for Own Industry, Six Months Ahead	58	59	60	49	43	46	43	39	38	45	40

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

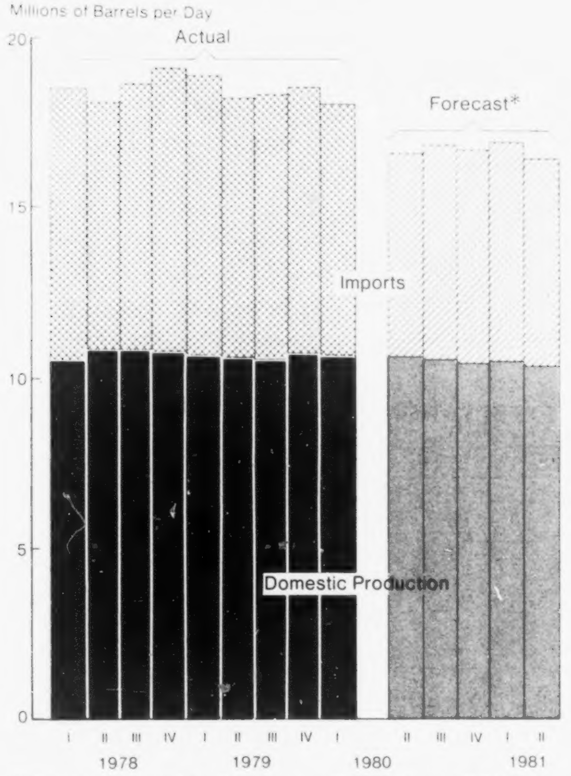
	1979			1980				1981			
					PROJECTIONS						
	II	III	IVr	Ip	II	III	IV	I	II	III	IV
1000 LARGEST MANUFACTURING FIRMS											
Newly approved	21.033	22.552	23.475	30.481	17.5	16.8	17.8	18.0	18.0	17.6	18.1
Capital expenditures	18.027	18.678	19.702	21.774	18.7	19.3	19.7	19.5	19.2	18.6	18.1
Change in appropriations backlog	+1.468	+3.431	+3.523	+8.015	−2.8	−3.9	−3.3	−2.8	−2.7	−2.4	−1.3
Durable Goods											
Newly approved	10.672	10.384	11.845	14.339	8.2	7.7	6.9	6.4	6.4	6.9	7.3
Capital expenditures	8.379	9.126	9.630	10.819	9.3	9.4	9.1	8.5	7.7	7.0	6.4
Change in appropriations backlog	+1.970	+1.182	+2.295	+3.228							
Nondurable Goods											
New appropriations	10.361	12.168	11.630	16.142	9.3	9.1	10.9	11.6	11.6	10.7	10.9
Capital expenditures	9.648	9.552	10.072	11.155	9.5	9.9	10.6	10.9	11.5	11.6	11.7
Change in appropriations backlog	—0.502	+2.249	+1.228	4.787							
ELECTRIC & GAS UTILITIES											
New appropriations	6.763r	10.913	8.811	15.215							
Capital expenditures	7.149r	7.139	7.031	7.317							
Change in appropriations backlog	—1.737r	+3.276	—7.273	+5.286							

Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request. Projections are based on The Conference Board's capital appropriations forecasting model.

r—revised p—preliminary

*Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

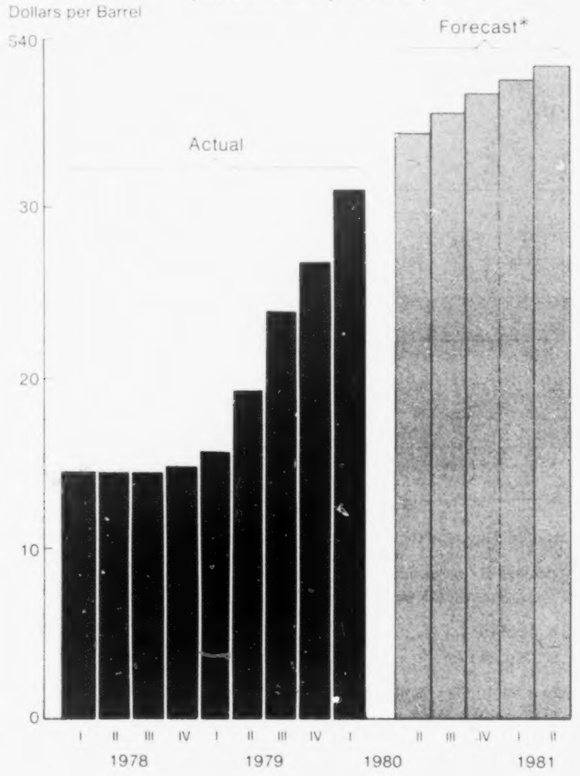
Oil Supply



* Source of forecast is The Energy Information Administration, Department of Energy

Cost of Imported Oil

(Refiners Cost per Barrel)



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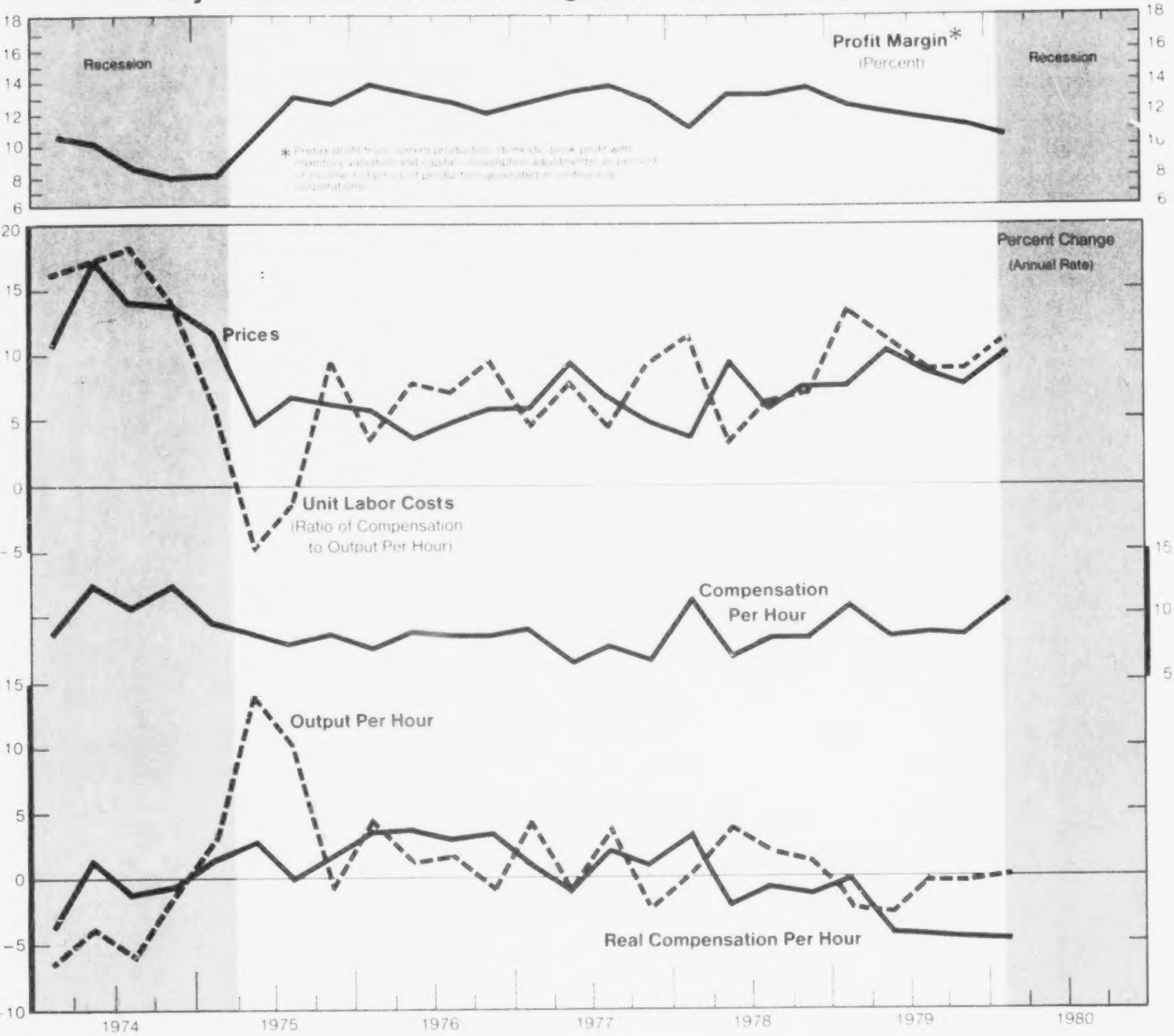
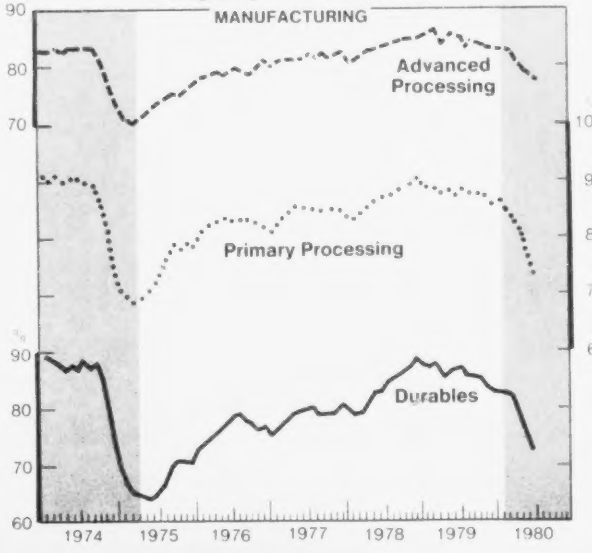
Key Determinants of Profit Margin, Nonfinancial Corporations

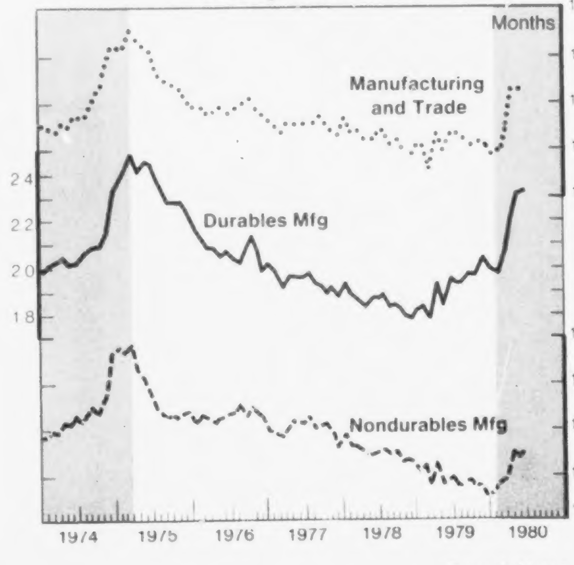


* Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income to factors of production generated in nonfinancial corporations.

Capacity Utilization Rates



Inventory-Sales Ratios



Seasonally Adjusted

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ECONOMIC FORECASTS

			U.C.L.A.[1]		Merrill Lynch Economics Inc.[1]		Kent Economic Institute[1]		Michigan Research Seminar in Quantitative Economics[1]	
Date of Forecast			*July, 1980*		*July, 1980*		*July, 1980*		*July, 1980*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Current Dollars										
Actual	**1980**	**II**	**$2523.4**	0.4%	**$2523.4**	0.4%	**$2523.4**	0.4%	**$2523.4**	0.4%
Forecast	1980	III	2536.5	2.1	2536.1	2.0	2570.5	7.7	$2544.4	3.4
		IV	2605.0	11.2	2576.3	6.5	2645.4	12.2	2603.2	9.6
	1981	I	2693.2	14.2	2621.6	7.2	2711.7	10.4	2680.7	12.4
		II	2785.7	14.5	2699.7	12.5	2804.4	14.4	2775.5	14.9
		III	2869.7	12.6	2794.0	14.7	2903.7	14.9	2862.4	13.1
		IV	2960.7	13.3	2887.5	14.1	3004.4	14.6	2949.6	12.8
	1982	I	3043.3	11.6	2975.0	12.7	3073.2	9.5	3026.0	10.8
		II			3048.2	10.2	3171.8	13.5		
	1980	Annual	2546.4	7.5	2539.1	7.2	2565.0	8.3	2548.0	7.6
	1981	Annual	2827.3	11.0	2750.7	8.3	2856.0	11.3	2817.1	10.6
Gross National Product Constant (1972) Dollars										
Actual	**1980**	**II**	**$1410.8**	−9.1%	**$1410.8**	−9.1%	**$1410.8**	−9.1%	**$1410.8**	−9.1%
Forecast	1980	III	1393.8	−4.7	1392.7	−5.0	1408.5	−0.7	$1395.7	−4.2
		IV	1399.6	1.7	1388.7	−1.1	1416.9	2.4	1396.2	0.2
	1981	I	1412.1	3.6	1391.1	0.7	1425.7	2.5	1405.0	2.5
		II	1425.9	4.0	1411.2	5.9	1436.7	3.1	1421.1	4.7
		III	1433.6	2.2	1437.1	7.5	1451.2	4.1	1433.6	3.6
		IV	1445.5	3.4	1459.7	6.4	1465.3	3.9	1445.6	3.4
	1982	I	1455.7	2.9	1479.6	5.6	1477.5	3.4	1455.9	2.9
		II			1494.2	4.0	1494.7	4.7		
	1980	Annual	1412.2	−1.4	1409.2	−1.6	1420.2	−0.8	1411.9	−1.4
	1981	Annual	1429.3	1.2	1424.8	1.1	1444.7	1.7	1426.3	1.0
Gross National Product Deflator Index, 1972 = 100										
Actual	**1980**	**II**	**178.9**	10.4%	**178.9**	10.4%	**178.9**	10.4%	**178.9**	10.4%
Forecast	1980	III	182.0	7.2	182.1	7.4	182.5	8.4	182.3	7.9
		IV	186.1	9.4	185.5	7.7	186.7	9.5	186.4	9.4
	1981	I	190.7	10.3	188.5	6.5	190.2	7.7	190.8	9.7
		II	195.4	10.1	191.3	6.2	195.2	10.9	195.3	9.8
		III	200.2	10.2	194.4	6.7	200.1	10.4	199.7	9.2
		IV	204.7	9.6	197.8	7.2	205.0	10.3	204.0	9.1
	1982	I	209.1	8.5	201.1	6.7	208.0	5.9	207.8	7.7
		II			204.0	6.0	212.2	8.3		
	1980	Annual	180.4	9.0	180.2	8.9	180.6	9.2	180.5	9.1
	1981	Annual	197.8	9.7	193.0	7.1	197.7	9.5	197.5	9.4
Unemployment Rate										
Actual	**1980**	**II**	**7.5%**		**7.5%**		**7.5%**		**7.5%**	
Forecast	1980	III	7.9		8.3		8.2		8.2	
		IV	8.4		9.0		8.0		8.9	
	1981	I	8.2		9.3		7.7		9.2	
		II	7.8		9.1		7.2		9.2	
		III	7.7		8.8		7.1		9.0	
		IV	7.6		8.4		6.6		8.8	
	1982	I	7.5		8.0		6.6		8.6	
		II			7.8		6.4			
	1980	Annual	7.5		7.7		7.4		7.7	
	1981	Annual	7.8		8.9		7.1		9.0	

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary second quarter data.

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ECONOMIC FORECASTS (continued)

The Conference Board[1]		Chase Econometric Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
July, 1980		*July, 1980*		*July, 1980*		*July, 1980*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Current Dollars		
$2523.4	0.4%	**$2523.4**	0.4%	**$2523.4**	0.4%	**$2523.4**	0.4%	II	1980	Actual
2537.0	2.2	2532.6	1.5	2545.4	3.5	2540.2	2.7	III	1980	Forecast
2589.0	8.5	2589.0	9.2	2591.4	7.4	2593.3	8.6	IV		
2661.0	11.6	2663.8	12.1	2667.4	12.3	2679.4	14.0	I	1981	
2752.0	14.4	2745.4	12.8	2752.6	13.4	2756.6	12.0	II		
2819.0	10.1	2824.5	12.0	2847.8	14.6	2835.3	11.9	III		
2887.0	10.0	2910.8	12.8	2943.3	14.1	2925.6	13.4	IV		
		3001.1	13.0	3037.2	13.4	3017.9	13.2	I	1982	
		3085.7	11.8	3127.6	12.4	3104.6	12.0	II		
2542.5	7.3	2541.4	7.3	2545.2	7.4	2544.4	7.4	Annual	1980	
2779.7	9.3	2786.1	9.6	2802.8	10.1	2799.2	10.0	Annual	1981	
								Gross National Product Constant (1972) Dollars		
$1440.8	−9.1%	**$1410.8**	−9.1%	**$1410.8**	−9.1%	**$1410.8**	−9.1%	II	1980	Actual
1389.1	−6.0	1390.5	−5.6	1397.9	−3.6	1392.3	−5.1	III	1980	Forecast
1392.6	1.0	1389.2	−0.4	1389.7	−2.3	1387.3	−1.4	IV		
1405.2	3.7	1399.0	2.9	1401.6	3.5	1400.3	3.8	I	1981	
1425.4	5.9	1409.8	3.1	1416.7	4.4	1411.9	3.4	II		
1432.3	1.9	1421.3	3.3	1435.8	5.5	1424.8	3.7	III		
1436.5	1.2	1431.4	2.9	1451.4	4.4	1439.7	4.2	IV		
		1446.3	4.2	1467.5	4.5	1457.3	5.0	I	1982	
		1459.2	3.6	1482.0	4.0	1472.6	4.3	II		
1409.3	−1.6	1408.8	−1.6	1410.8	−1.5	1408.8	−1.6	Annual	1980	
1424.8	1.1	1415.4	0.5	1426.4	1.1	1419.2	0.7	Annual	1981	
								Gross National Product Deflator index, 1972 = 100		
178.9	10.4%	**178.9**	10.4%	**178.9**	10.4%	**178.9**	10.4%	II	1980	Actual
182.6	8.7	182.1	7.5	182.1	7.4	182.4	8.3	III	1980	Forecast
185.9	7.4	186.4	9.6	186.5	10.0	186.9	10.2	IV		
189.4	7.6	190.4	9.0	190.3	8.5	191.3	9.8	I	1981	
193.1	8.0	194.7	9.4	194.3	8.6	195.2	8.4	II		
196.8	8.0	198.7	8.4	198.3	8.6	199.0	7.9	III		
201.0	8.7	203.4	9.6	202.8	9.3	203.2	8.7	IV		
		207.5	8.4	207.0	8.5	207.1	7.9	I	1982	
		211.5	7.9	211.0	8.1	210.8	7.4	II		
180.5	9.1	180.5	9.1	180.5	9.1	180.7	9.2	Annual	1980	
195.1	8.1	196.8	9.1	196.4	8.8	197.2	9.1	Annual	1981	
								Unemployment Rate		
7.5%		**7.5%**		**7.5%**		**7.5%**		II	1980	Actual
8.2		8.3		7.9		8.1		III	1980	Forecast
8.3		8.7		8.6		8.4		IV		
8.1		8.8		8.7		8.4		I	1981	
7.7		8.7		8.5		8.6		II		
7.5		8.8		8.3		8.5		III		
7.6		8.6		8.2		8.4		IV		
		8.5		8.0		8.1		I	1982	
		8.4		7.7		7.7		II		
7.5		7.6		7.5		7.5		Annual	1980	
7.7		8.7		8.4		8.5		Annual	1981	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900.

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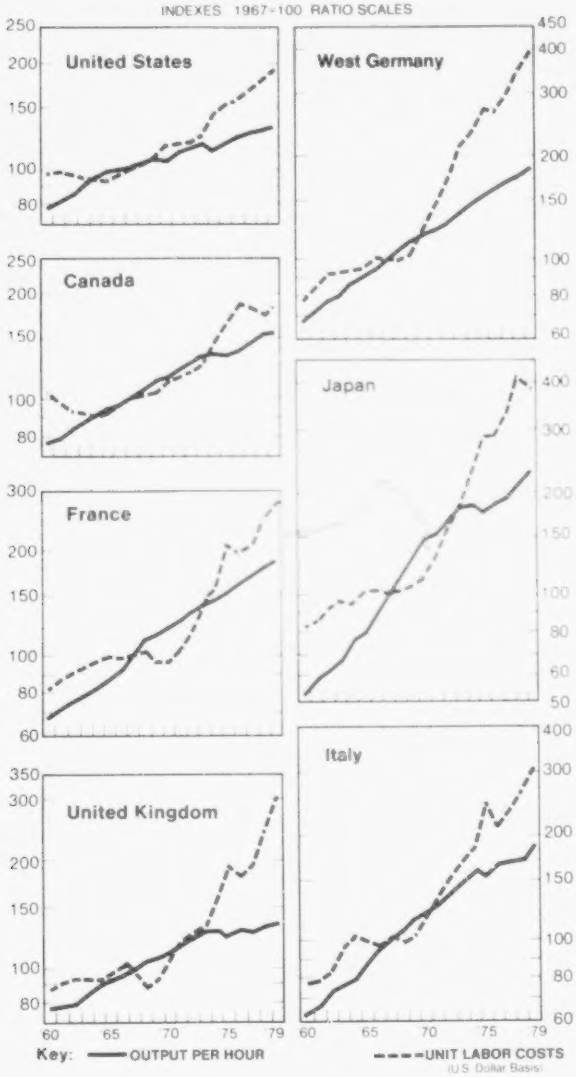
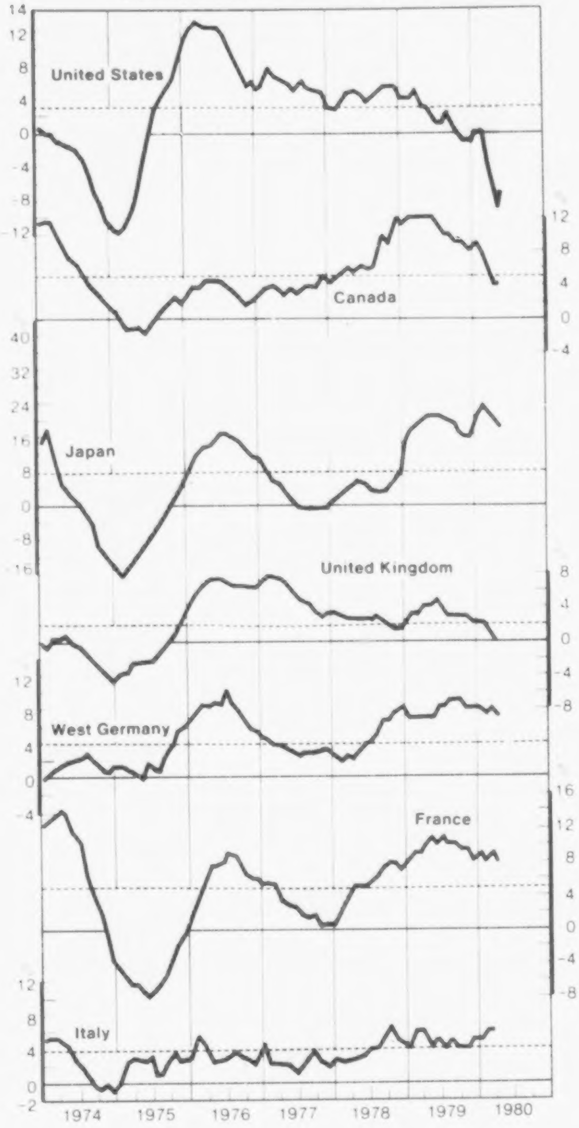
SELECTED INTERNATIONAL COMPARISONS



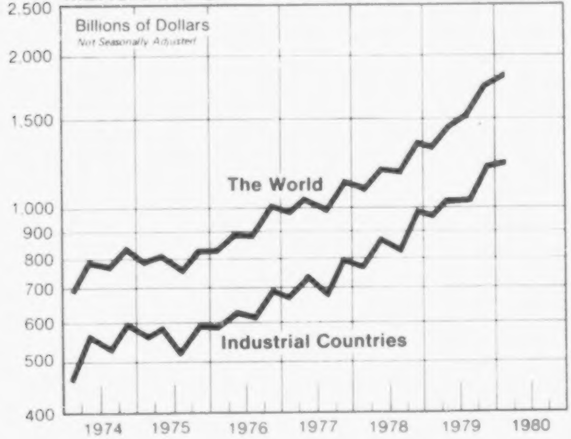
PRODUCTIVITY AND COSTS

INDEXES 1967=100 RATIO SCALES

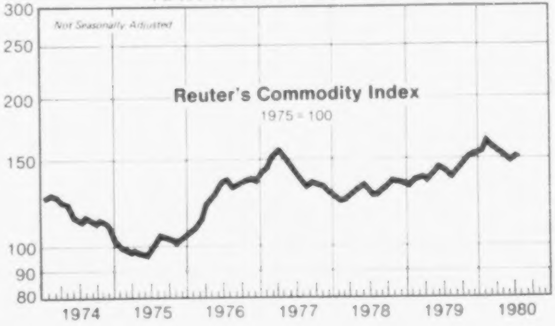


LEADING BUSINESS CYCLE INDEXES

CHANGE FROM SAME MONTH PREVIOUS YEAR

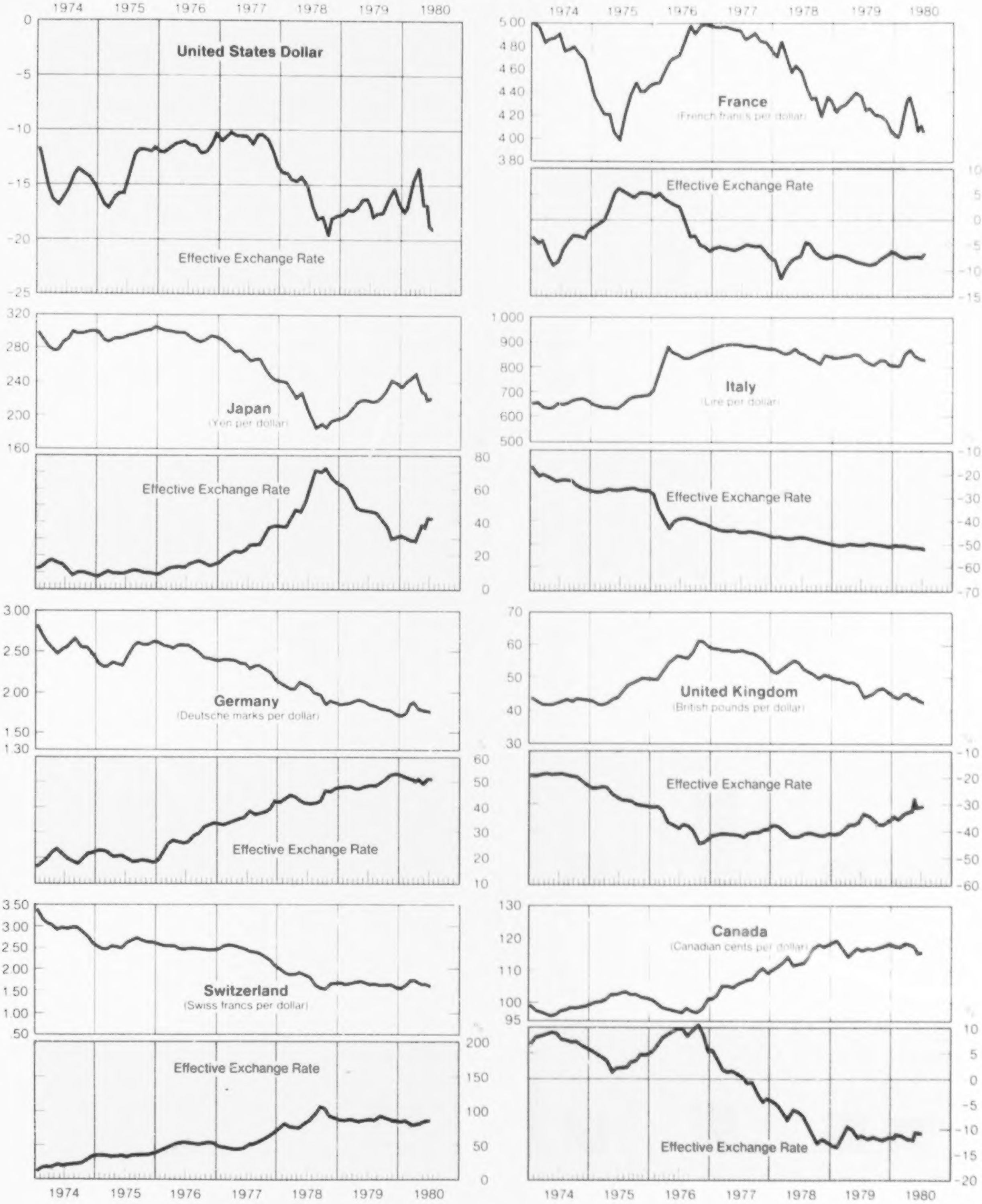


MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES

FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies weighted according to the average bilateral manufactures trade of 1976; changes are in percent from pre-June 1970 parities based on monthly averages of daily rates.

Source: Morgan Guaranty Trust

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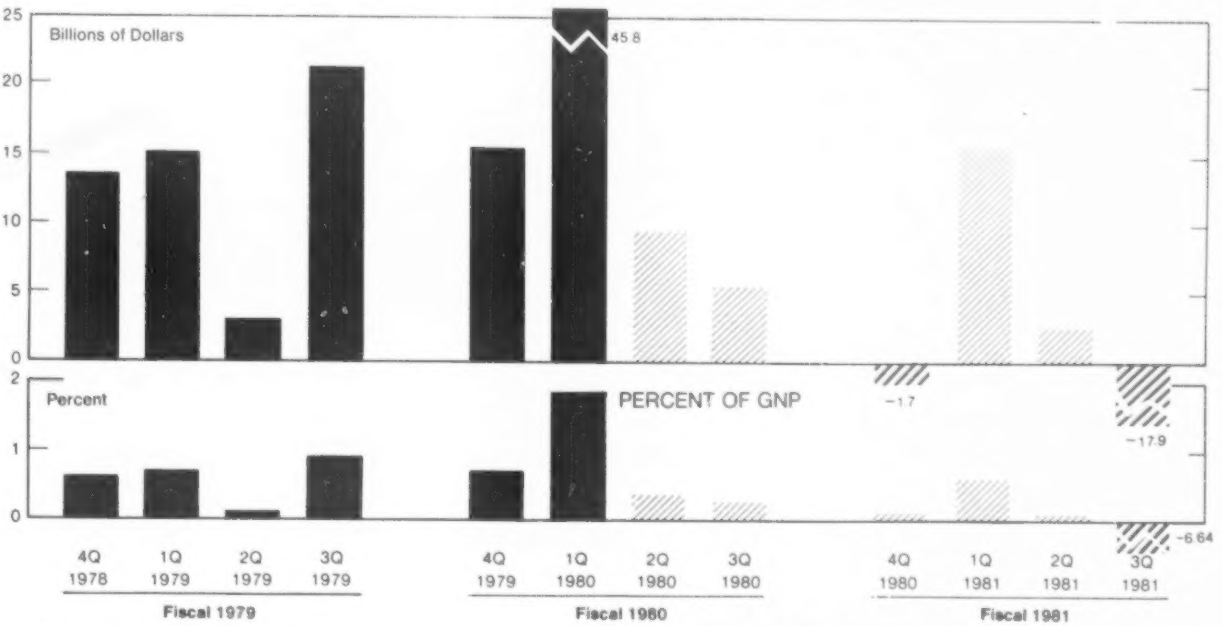
PERSPECTIVE ON THE FEDERAL BUDGET

($ Billions)

	Fiscal 1980			Fiscal 1981		
	Current Services (1/22/79)	Latest President's Proposal (3/31/80)	Third Budget Resolution (6/12/80)	Current Services (1/28/80)	Latest President's Proposal (3/31/80)	First Budget Resolution (6/12/80)
Receipts	**$504.5**	**$532.4**	**525.7**	**579.0**	**628.0**	**613.8**
Outlays	**536.1**	**568.9**	**572.5**	**612.0**	**611.5**	**613.6**
Deficit	**—31.6**	**—36.5**	**—47.0**	**—33.0**	**+ 16.5**	+ 0.2
Receipts by source	504.5	532.4	525.7	579.0	628.0	613.8
Individual income taxes	229.6	241.5	241.0	273.3	279.9	283.1
Corporate income taxes	71.0	74.2	71.4	74.7	74.1	67.6
Social insurance	161.2	163.5	163.5	186.0	188.9	189.9
Other receipts	42.7	53.2	49.8	45.0	85.1	74.2
Outlays by function	**536.1**	**568.9**	**572.5**	**612.0**	**611.5**	**613.6**
Income security	179.5	190.0	191.7	219.9	220.1	219.6
National defense	125.5	134.0	135.7	142.4	150.5	153.7
Health	55.1	56.5	56.5	63.4	61.9	61.7
Education and manpower	31.0	30.1	29.9	32.5	30.6	29.5
Veterans' benefits	20.4	20.7	20.5	21.7	21.4	21.2
Transportation	18.0	20.5	20.1	20.1	19.0	18.8
Natural resources and environment	11.8	12.8	13.6	12.8	12.5	12.1
Revenue sharing	9.2	8.8	8.6	8.5	7.4	6.8
International affairs	7.9	11.1	10.5	9.6	10.1	9.5
Community development	7.2	9.0	9.7	8.5	8.5	9.2
Energy	8.0	6.8	6.4	7.1	6.9	6.8
General science	5.4	5.9	5.9	6.3	6.2	6.1
General government	4.2	4.8	4.4	4.9	4.8	4.3
Justice	4.3	4.6	4.4	4.7	4.6	4.6
Agriculture	5.0	5.1	5.9	3.2	2.0	2.3
Commerce and housing credit	3.4	6.2	6.1	0.8	0.4	0.0
Interest	57.1	64.3	65.1	68.4	68.4	72.2
Allowances	2.1	—	0.0	2.4	1.4	0.0
Undistributed offsetting receipts	—19.0	—22.2	—22.3	—25.1	—24.9	—24.7

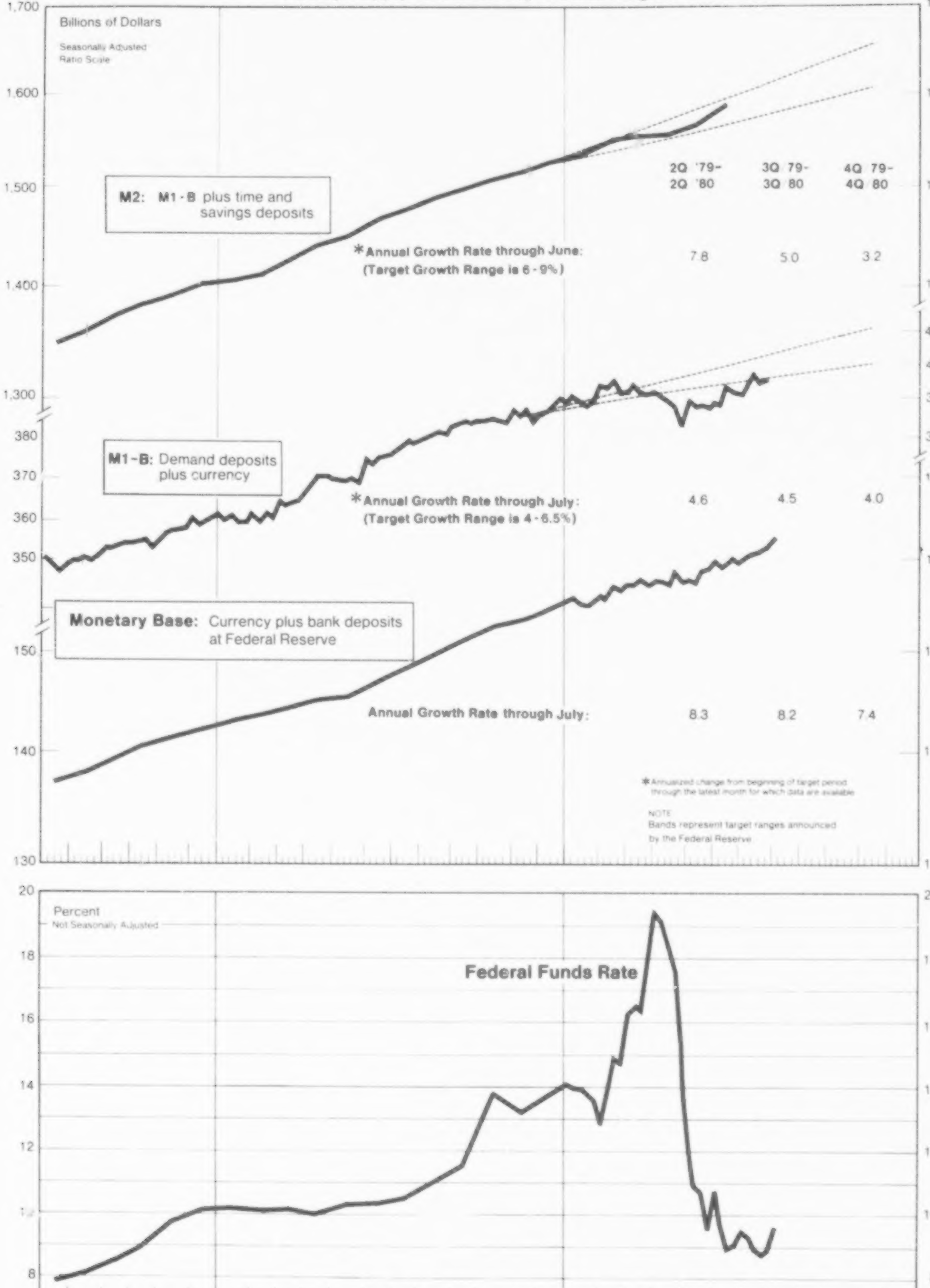
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy*, Fiscal 1977, No. 2, The Conference Board, New York 1976

Money Supply and Monetary Growth Targets



* Annualized change from beginning of target period through the latest month for which data are available

NOTE
Bands represent target ranges announced by the Federal Reserve

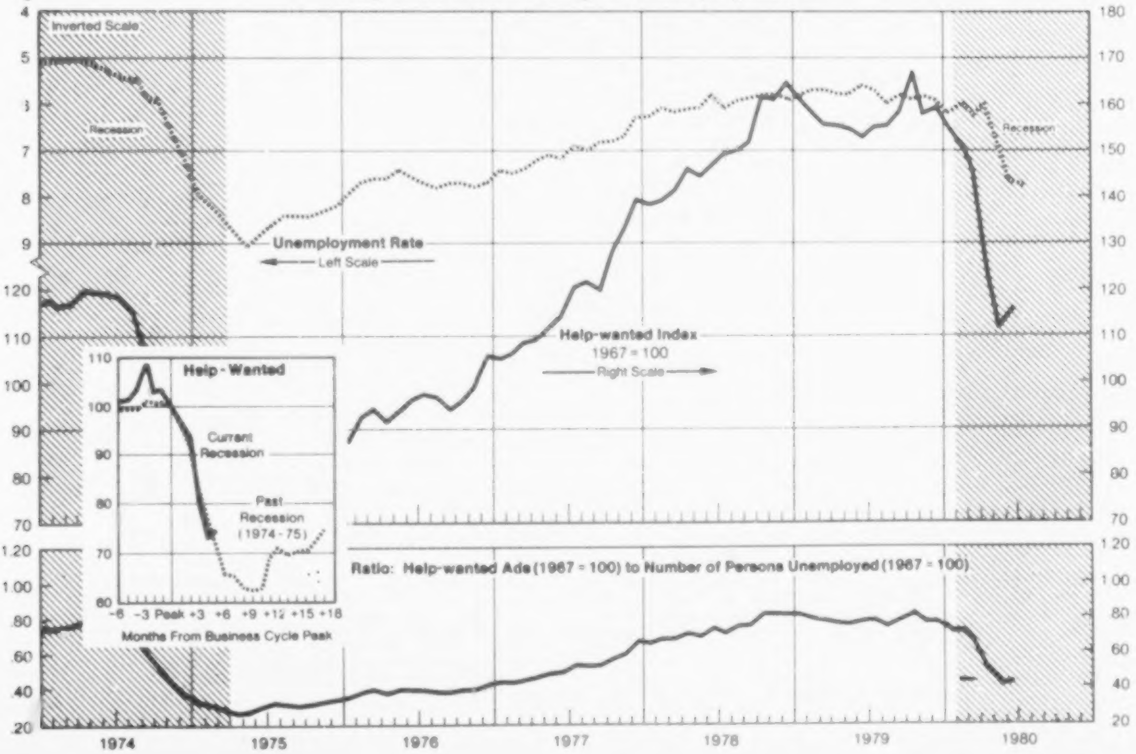
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1980			1979
	June	May	Apr.	June
Total index 51 papers	115	112	122	153
New England	115	113	117	133
Boston	125	122	124	139
Hartford	125	130	139	143
Providence	74	69	76	105
Middle Atlantic	61	57	59	70
Albany	85	78	85	108
Allentown	110	100	134	162
New York	56	54	52	58
Philadelphia	57	49	53	65
Pittsburgh	69	71	77	95
Rochester	55	52	58	75
Syracuse	81	71	72	90
East North Central	70	69	78	122
Chicago	69	67	74	117
Cincinnati	108	100	118	169
Cleveland	64	61	75	121
Columbus	105	99	114	157
Dayton	67	64	69	103
Detroit	47	48	56	92
Gary	105	96	100	192
Indianapolis	78	85	92	146
Milwaukee	59	64	79	116
Toledo	86	88	102	141
West North Central	78	80	93	130
Kansas City	101	93	109	147
Minneapolis	80	87	107	150
Omaha	100	101	118	163
St. Louis	56	58	62	91
South Atlantic	127	117	129	156
Atlanta	182	170	193	230
Baltimore	88	74	83	109
Charlotte	104	96	112	139
Jacksonville	117	113	118	136
Miami	129	132	150	163
Richmond	87	83	87	114
Washington, D. C.	133	119	124	155
East South Central	110	106	122	164
Birmingham	125	119	124	179
Knoxville	175	183	194	200
Louisville	64	59	67	110
Memphis	104	102	104	138
Nashville	117	112	166	221
West South Central	248	240	253	287
Dallas	214	218	233	264
Houston	365	344	363	407
New Orleans	169	171	172	203
Oklahoma City	189	184	192	231
San Antonio	163	153	164	169
Tulsa	204	195	212	249
Mountain	242	236	260	372
Denver	206	184	221	316
Phoenix	287	270	298	409
Salt Lake City	250	289	281	430
Pacific	172	172	189	210
Los Angeles	154	148	167	180
Sacramento	233	239	254	320
San Bernardino	116	120	143	163
San Diego	274	265	294	351
San Francisco	174	182	187	200
Seattle	184	200	215	251
Percentage of papers with rising volume	65%	4%	4%	47%
Unemployment rate	7.7%	7.8%	7.0%	5.6%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977)
n.a.—not available   r—revised

Help-wanted Advertising and Unemployment



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CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

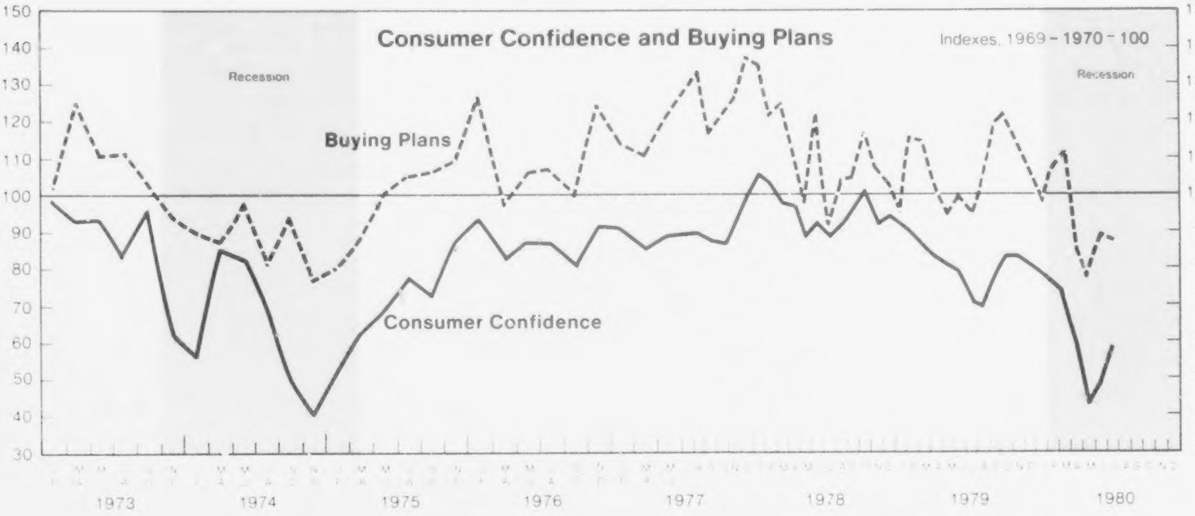
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1978	105.2	103.8	97.3	96.9	88.8	92.5	88.8	91.4	95.4	101.4	91.8	94.0
1979	91.7	91.4	84.9	82.2	80.8	78.5	70.0	69.0	78.2	83.6	83.0	80.8
1980	79.1	76.4	71.5	52.9	42.1	48.6r	58.1p					

Buying Plans Index

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1978	134.3	120.7	124.3	109.5	97.1	121.7	91.2	104.0	104.2	116.9	106.4	103.1
1979	95.1	115.4	114.4	100.6	95.4	99.6	94.6	101.7	119.4	121.9	113.4	107.2
1980	99.2	107.0	116.4	85.3	76.2	89.9p	87.3					

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

Billions of Dollars; Quarterly Data are Seasonally Adjusted at Annual Rates

		Aggregate Purchasing Power	Discretionary Purchasing Power	Discretionary Saving	Discretionary Spending	Discretionary Purchasing Power as % of Aggregate	Discretionary Spending as % of Aggregate	Discretionary Spending as % of Discretionary Purchasing Power
1975	I	$1075.2	$399.5	$ 67.5	$332.0	37.2%	30.9%	83.1%
	II	1155.6	469.7	125.2	344.5	40.6	29.8	73.3
	III	1160.5	453.4	125.8	327.6	39.1	28.2	72.3
	IV	1220.9	485.4	118.8	366.6	39.8	30.0	75.5
1976	I	1258.3	499.9	133.5	366.4	39.7	29.1	73.3
	II	1288.1	507.0	120.3	386.7	39.4	30.0	76.3
	III	1308.4	514.5	125.5	389.0	39.3	29.7	75.6
	IV	1343.4	533.7	118.2	415.5	39.7	30.9	77.9
1977	I	1394.3	560.4	139.4	421.0	40.2	30.2	75.1
	IIr	1432.2	583.3	143.2	440.1	40.7	30.7	75.4
	IIIr	1520.5	602.0	171.0	431.0	39.6	28.3	71.6
	IVr	1526.1	624.9	146.1	478.8	40.9	31.4	76.6
1978	Ir	1559.9	648.3	141.4	506.9	41.6	32.5	78.2
	IIr	1633.1	680.8	176.8	504.0	41.7	30.9	74.0
	IIIr	1672.4	693.1	184.2	508.9	41.4	30.4	73.4
	IVr	1701.4	690.9	150.3	540.6	40.6	31.8	78.2
1979	Ip	1746.1	712.2	149.5	562.7	40.8	32.2	79.0

Note: For an explanation of discretionary purchasing power and spending, see Morton Ehrlich, *Discretionary Spending*, (The Conference Board, 1966).

P—Preliminary R—Revised

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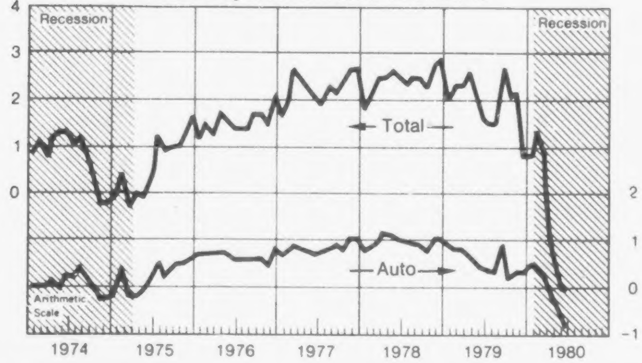
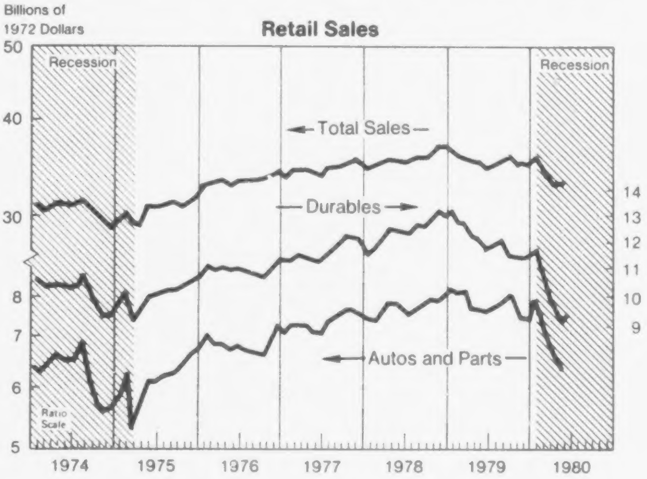
Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



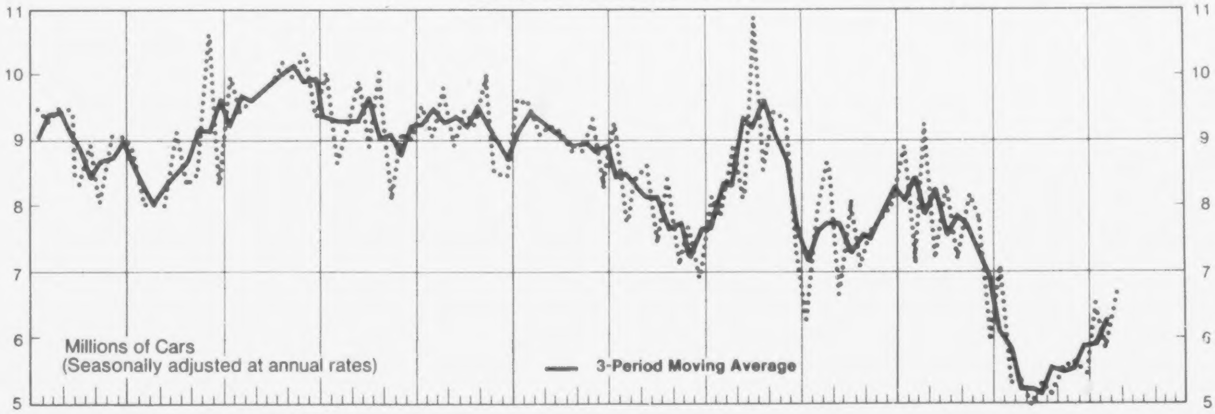
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

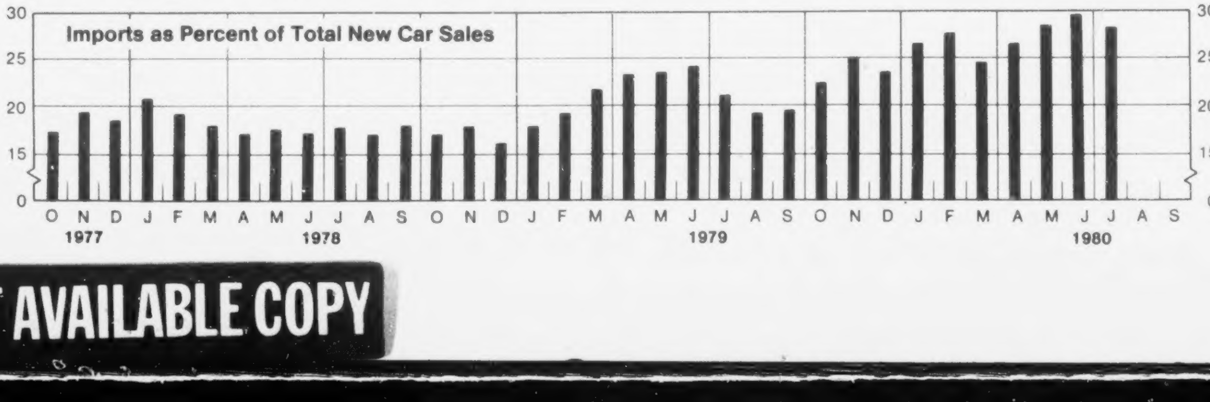
Periods		1977	1978	1979	1980
January:	1-10	9.25	8.86	9.60	8.97
	11-20	9.51	8.03	9.55	7.19
	21-31	8.68	8.03	9.11	9.23
February:	1-10	9.83	8.00	9.20	7.28
	11-20	8.20	9.15	9.13	8.28
	21-28(29)	9.10	8.35	8.82	7.20
March:	1-10	9.86	8.49	8.83	8.11
	11-20	7.81	10.62	9.32	7.84
	21-31	9.69	8.32	8.29	5.98
April:	1-10	7.88	9.96	9.28	7.05
	11-20	9.25	9.44	7.79	5.27
	21-30	9.00	9.64	8.48	5.38
May:	1-10	9.21	9.72	8.52	4.95
	11-20	8.84	9.85	7.41	5.28
	21-31	9.04	10.22	8.42	5.15
June:	1-10	9.75	9.94	6.98	5.57
	11-20	9.31	10.38	7.59	5.60
	21-30	9.60	9.36	6.83	5.41
July:	1-10	9.25	10.04	8.16	6.54
	11-20	8.30	8.69	7.87	5.67
	21-31	9.18	9.15	8.94	6.71
August:	1-10	9.26	9.89	8.17	
	11-20	9.38	8.89	10.88	
	21-31	9.62	10.07	8.57	
September:	1-10	9.60	8.14	9.44	
	11-20	9.14	9.07	9.34	
	21-30	8.31	9.02	7.26	
October:	1-10	9.45	9.57	6.24	
	11-20	9.31	9.08	8.04	
	21-31	9.50	9.82	8.64	
November:	1-10	9.46	8.92	6.65	
	11-20	8.34	9.44	8.07	
	21-30	8.91	9.24	7.08	
December:	1-10	8.06	10.00	7.63	
	11-20	9.07	8.57	7.83	
	21-31	9.07	8.41	8.06	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.

Domestic-Model Car Sales



Imports as Percent of Total New Car Sales



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STATISTICAL BULLETIN

STATISTICAL REFERENCE INDEX
ACQUISITIONS
7101 WISCONSIN AVE., SUITE 900
WASHINGTON, D. C. 20014

Volume 13 No.9, September, 1980

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THE CONFERENCE BOARD

comment The economy looks a lot healthier right now than anyone thought it would only a short while ago. In fact, the trough might well be behind us, which would mark the 1980 recession as very steep but very short. At the start of the recession, consumer market activity was quite weak but investment activity was surprisingly strong. As the recession draws to a close, consumer market activity appears to be gathering strength for a recovery but investment activity has lost its momentum. And, if a recovery is indeed getting under way, it is doing so in the absence of any overt economic stimulus. Monetary and fiscal policy are, at the moment, in a restrictive anti-inflationary stance.

Consumer demand weakened earlier this year as inflation stripped purchasing power from consumer income, credit-financed buying fell sharply as consumers concentrated on liquidating debt, and consumer attitudes deteriorated in response to widespread reports of recession. By the late Summer, however, the economic news reports were not nearly as gloomy as they had been in late Spring, especially with regard to news about layoffs and rising unemployment. Consequently, consumer attitudes have recovered considerably. The Conference Board's *Consumer Confidence Index* appears to have bottomed out in May at 42.1 (1969-1970 = 100). By August, it had recovered to 65.8, but was still far short of the levels in the low 80's recorded at the end of 1979.

From April to June, consumers were repaying debt at about the same quick pace as that at which they had borrowed one year earlier. In July, however, the pace of repayment slowed considerably. The ratio of installment debt expansion to personal income—which had peaked at about 3% at the end of 1979—was -2% in May and June climbing to only -0.3% in July.

The data charted on *Key Determinants of Profit Margins* show that real compensation per hour has been declining ever since the second quarter of 1978. In the second quarter of 1980, however, the rate of decline was half of what it was three months earlier, due—as the chart indicates—to an abatement of the inflation rate. If the purchaisng power of paychecks continues to improve, consumer demand may build up a head of steam and power in the 1980 recovery similar to what occurred in the 1975 recovery. If not . . . .

Retail sales, adjusted for inflation, were about 5% higher in August than in May. Moreover, a fair amount of that improvement seems to have been in sales of the cyclically sensitive durable goods, most especially cars. New domestic *Automobile Sales* were up in June, July and again in August. Moreover, the foreign share of the market dropped in August, reversing a long trend. The 1980 model year is closing on a strong note.

While consumer demand may be poised for a rebound, investment demand is going nowhere but down. The Conference Board's survey of *Capital Appropriations and Expenditures* by the nation's 1,000 largest manufacturers showed a sharp drop in appropriations in the second quarter. In addition, the survey respondents' expectations are for further declines in the second half of 1980.

Slightly higher retail sales together with a continued slide in industrial production led to slightly lower inventory-sales ratios in July. If current inventory levels are maintained, production may rise in response to improved retail sales. If so, however, attempts later on to return to the leaner inventory-sales ratios achieved in the last expansion period might have some moderating impact on the 1981 recovery.

The composite index of *Leading Economic Indicators* rose substantially in June and July. These data clearly imply that if the recession is not in fact already over, the worst of it is definitely behind us. Half of the *Economic Forecasts* are indicating that economic activity will rise from the third quarter of this year to the fourth, although not by much.

The *Economic Forecasts* appear to be considerably more optimistic at present than they were only a short while ago. The median of the forecasts for real GNP now shows a seasonally adjusted decline of

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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25 McArthur Road
Ottawa, Ontario, K1L-6R3, Canada

845 Third Avenue
New York, New York 10022

THE CONFERENCE BOARD IN EUROPE
Avenue Louise, 326-Bte 48
B-1050 Brussels, Belgium

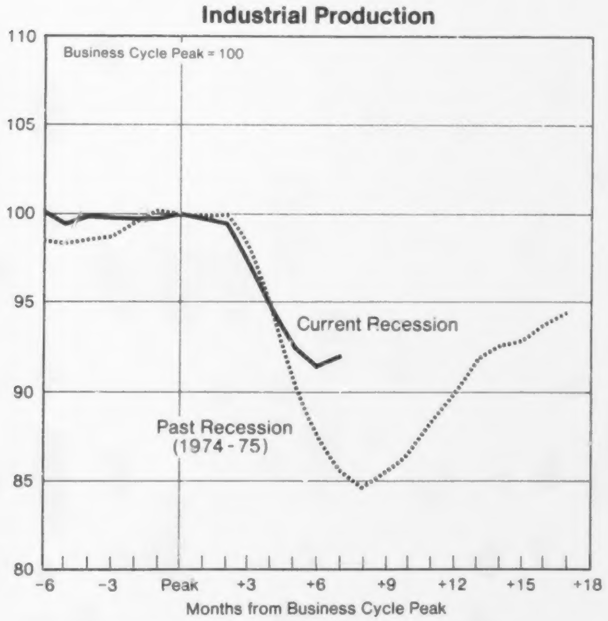
3.6% (at an annual rate) for the third quarter of 1980. Only two months ago, the median forecast was for a 5.9% drop in this quarter. Half the models show a slight rise in real output in the fourth quarter, while half indicate a slight decline. Further, activity is now anticipated to be positive but sluggish in the first quarter of 1981. Then, in the second quarter of 1981, a rather vigorous expansionary phase of the cycle is expected to get under way and continue at least through the second quarter of 1982.

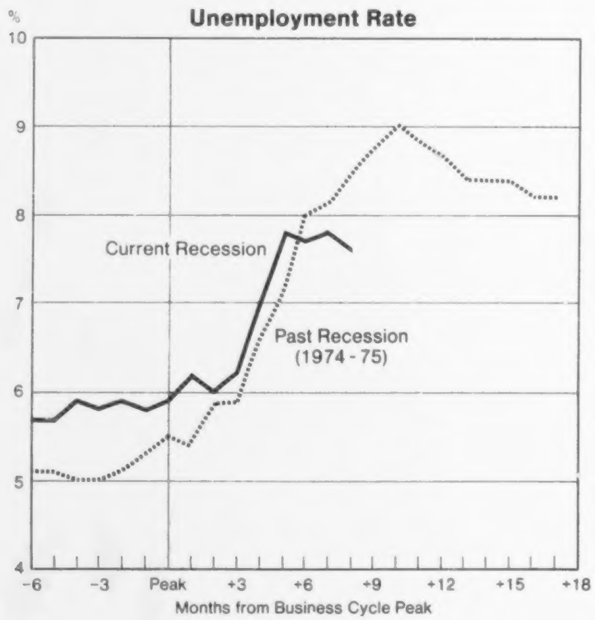
While the *Economic Forecasts* are now indicating that economic activity is beginning to pick up in pace, that pace is not expected to be quick enough to prevent some further rise in unemployment. The median forecast says that the national unemployment rate averaged 8.1% in the third quarter and will probably rise to 8.4% by the first quarter of 1981.

Over a year ago, we said in this space that declining activity always eases price pressures, and usually at the expense of narrowing profit margins. Inflation clearly has abated somewhat, and it is just as clear on the *Key Determinants of Profit Margins* chart that margins have indeed narrowed. The problem, however, is that the converse is also true—as activity picks up in pace so too will inflation. The *Economic Forecasts* indicate that inflation, as measured by the implicit price deflator for GNP, improved to a mere 8½% in the third quarter of this year and is likely to rise to 9% by the middle of next year.

The slowdown in economic activity eased credit demand. Data on commercial and industrial loans as well as on consumer installment credit show marked slowing over the last few months. That translated into slow growth of the monetary aggregates as well as declines in interest rates in general. In August, however, the money supply expansion accelerated. In the past, increased money supply growth would have meant a rise in loanable funds which would have exerted downward pressure on interest rates. In August, though, interest rates once again started to rise—no doubt because of renewed concern over accelerating inflation. The Federal Funds rate—the rate at which banks borrow from other banks—had declined to as low as 9.68% in late July, and was still at only 8.85% in mid-August. By the end of August, it had jumped to 10.47 percent. Monetary policy formulation, faced with the dilemma of trying to accommodate a recovery in activity while limiting an inflationary acceleration, seems to be intent on the latter. This has benefits for the value of the currency. The trade-weighted average *Exchange Rate* of the dollar against other major currencies had dropped in July to 19.1% below June, 1970 parities. In August, that figure improved to 18 percent.

Ken Goldstein





Note: August, 1974 is charted as the peak month for the 1974-75 recession
January, 1980 is charted as the peak month for the current recession

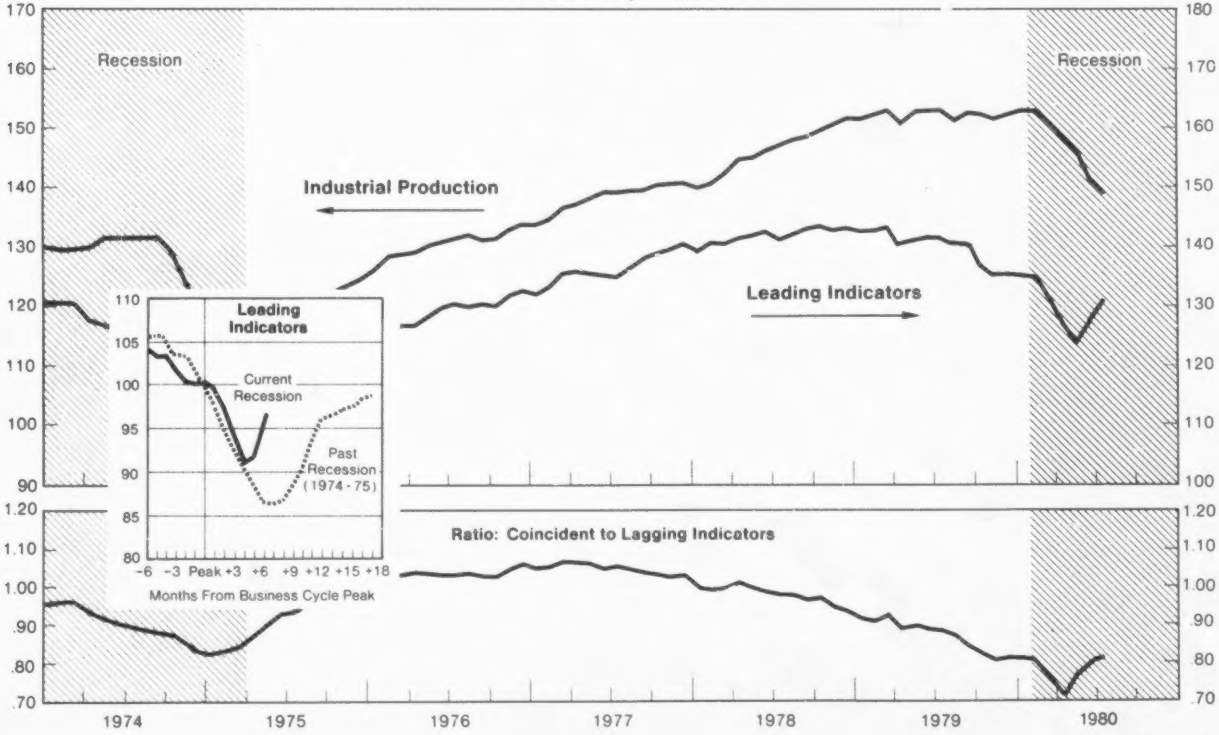
STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	July		X		+ 3.6%	— 7.4%
Capital Investment Commitments						
*Contracts & orders, plant & equipment (deflated)	July			X	— 2.0%	— 8.3%
New orders, nondefense capital goods (deflated)	July			X	— 6.7%	— 8.0%
*Net business formation	May			X	— 7.3%	— 7.8%
*Housing permits	July	X			+ 56.7%	—19.1%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	July		X		+ 5.5%	—10.7%
*Change in inventory, on hand & order (deflated)	June		X		— 0.4%	—26.1%
Purchasing agents' buying policy	Aug.			X	— 5 %	—15 %
*Vendor performance, reported slower deliveries	July			X	—20 %	—46.7%
Industrial raw materials prices	Aug.			X	+ 4.4%	— 2.4%
*Change in sensitive prices	July		X		— 0.8%	— 1.9%
Sensitive Financial Flows						
*Money balance (M1-B deflated)	July		X		+ 1.8%	— 3.7%
Change in business loans	Aug.	X			+ 67.3%	— 2.0%
*Change in liquid assets	July		X		— 0.1%	— 0.4%
Change in consumer installment debt	June			X	—58.8%	—72.3%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q			X	—19.9%	—15.1%
*Common stock prices	Aug.	X			+ 14.1%	+ 14.4%
Marginal Employment Adjustments						
*Average workweek, mfg.	July		X		— 0.7hr.	— 1.1hr.
Initial unemployment claims (inverted)	July		X		5.8%	—35.7%
*Layoff rate, mfg. (inverted)	July		X		+ 1.2	— 0.5

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Business Conditions Digest*, (Washington, D.C.: Government Printing Office) November, 1975, page V.

*These twelve series make up the Composite Leading Index charted below.

Economic Indicators
Indexes: 1967=100



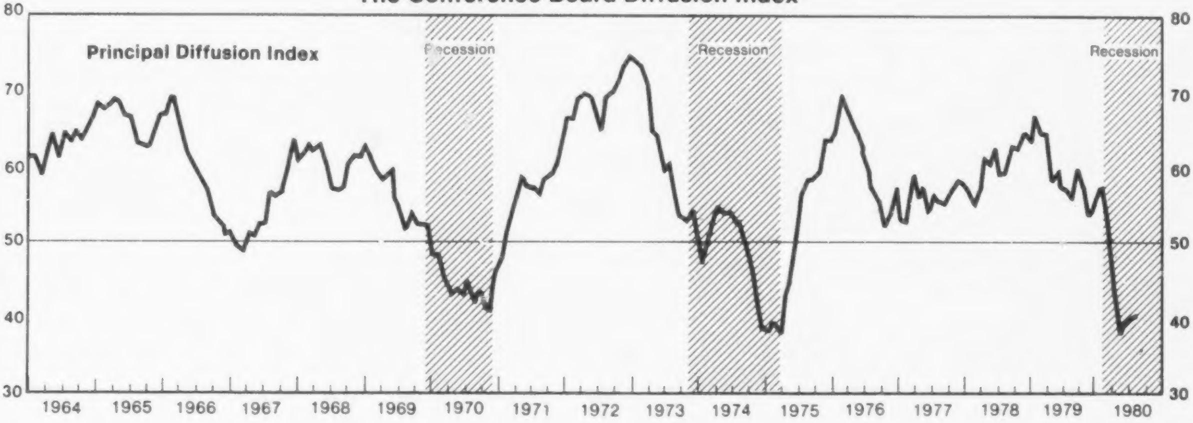
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1979 July	1980 Apr.	 May	 June	 July(e)
Principal Diffusion Index	57.3	43.4r	38.4r	39.8r	42.8
Auxiliary Diffusion Index	49.6	30.5r	33.8r	54.6r	59.5
Industrial Group	51.6	36.1	30.2	32.1r	34.7
Nonindustrial Group	62.9	50.8r	46.7r	47.6r	50.8
Sense of Diffusion	1.0	0	—1.0	—1.0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	58.8	41.9	34.2	27.4r	26.9
Labor	45.4	34.2	29.4	36.0	40.5
Miscellaneous	56.4	32.1	26.3	29.5	32.1
Nonindustrial Subgroups					
Prices	75.6	54.5	52.6	50.6	57.1
Consumer	70.5	64.1	59.0	59.4r	64.5
Building	44.9	27.6	21.8r	32.1	37.8
Miscellaneous	59.0	50.4r	47.0r	44.0r	41.5

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1977	*1978*				*1979*				*1980*	
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)										
Measure of Business Confidence	52	52	58	49	40	43	41	32	32	40	29
1. Appraisal of Current Economic Conditions Compared With Six Months Ago...	48	46	60	58	45	47	47	28	29	36	16
2. Expectations for Economy, Six Months Ahead	49	49	54	42	33	36	33	29	29	38	31
3. Expectations for Own Industry, Six Months Ahead	58	59	60	49	43	46	43	39	38	45	40

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

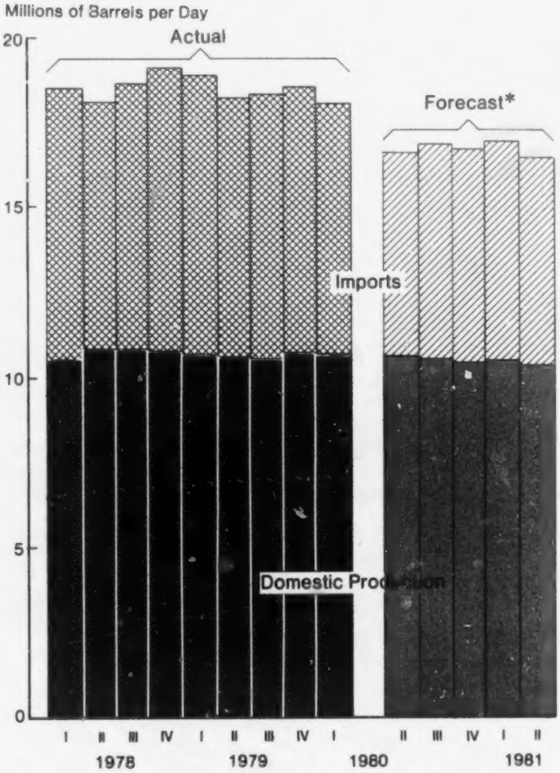
	1979			1980				1981			
						PROJECTIONS					
	IIr	IIIr	IVr	Ir	IIp	III	IV	I	II	III	IV
1000 LARGEST MANUFACTURING FIRMS											
New appropriations	21.201	22.688	23.279	29.503	25.761	16.1	15.0	17.7	18.2	17.2	17.2
Capital expenditures	17.566	18.707	19.647	21.296	21.426	19.3	20.1	20.1	19.7	18.9	18.1
Change in appropriations backlog*	+2.317	+3.496	+3.216	+7.424	+3.624	−5.0	−6.6	−3.8	−3.1	−3.3	−2.6
Durable Goods											
New appropriations	10.627	10.488	11.470	14.420	9.625	7.7	6.5	6.4	6.7	7.1	7.4
Capital expenditures	8.361	9.099	9.647	10.316	10.213	9.3	9.2	8.7	7.8	7.0	6.3
Change in appropriations backlog*	+1.995	+1.321	+1.838	+3.524	−0.863						
Nondurable Goods											
New appropriations	10.574	12.200	11.809	15.083	16.136	8.4	8.5	11.3	11.5	10.1	9.8
Capital expenditures	9.205	9.608	10.000	10.980	11.213	10.1	10.9	11.4	12.0	11.9	11.8
Change in appropriations backlog*	+0.322	+2.175	+1.378	+3.900	+4.487						
ELECTRIC & GAS UTILITIES											
New appropriations	6.763	10.913	8.811r	15.215p							
Capital expenditures	7.149	7.139	7.031r	7.317p							
Change in appropriations backlog*	−1.737	+3.276	−7.273r	+5.286p							

Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request. Projections are based on The Conference Board's capital appropriations forecasting model.

r—revised p—preliminary

* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments)

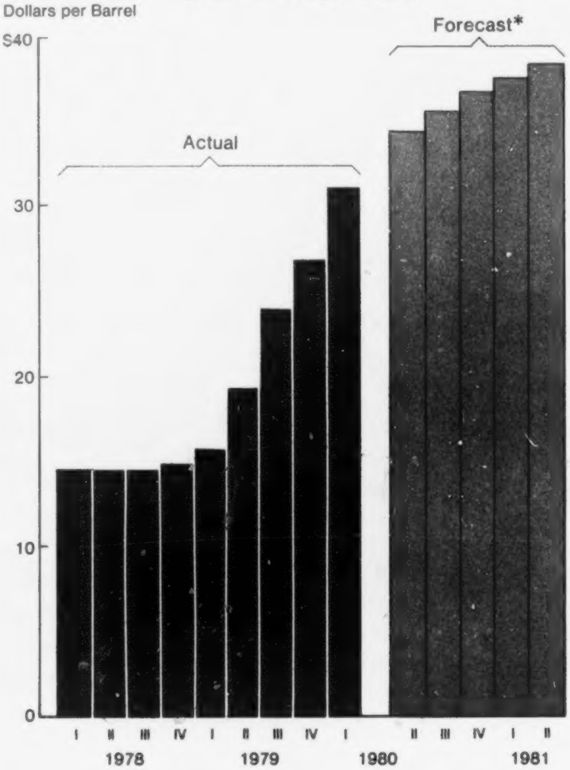
Oil Supply



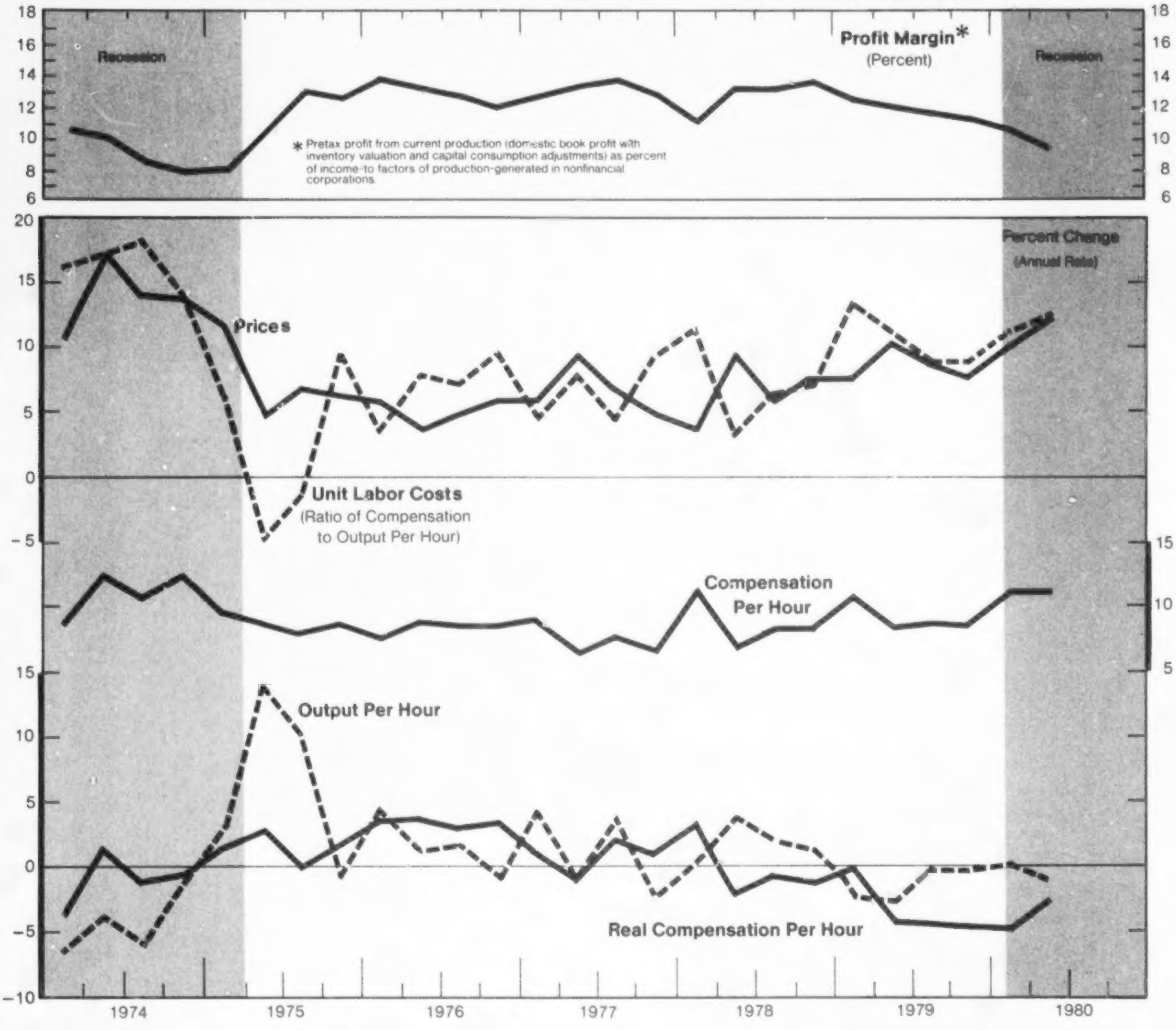
*Source of forecast is The Energy Information Administration, Department of Energy

Cost of Imported Oil

(Refiners Cost per Barrel)

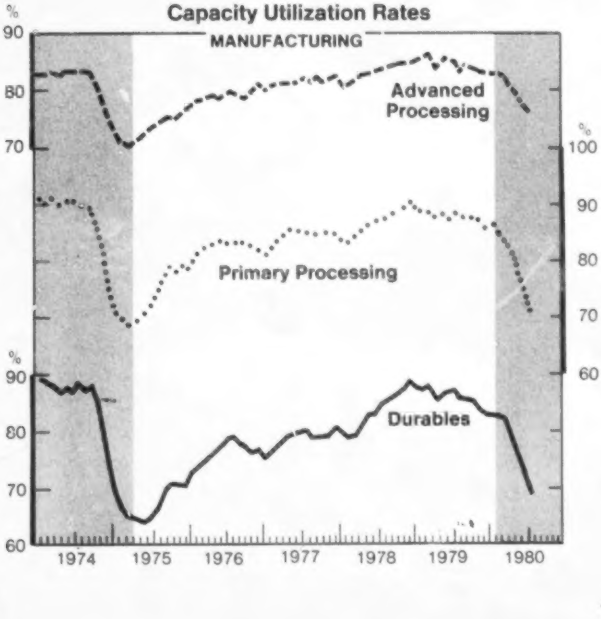


Key Determinants of Profit Margin, Nonfinancial Corporations

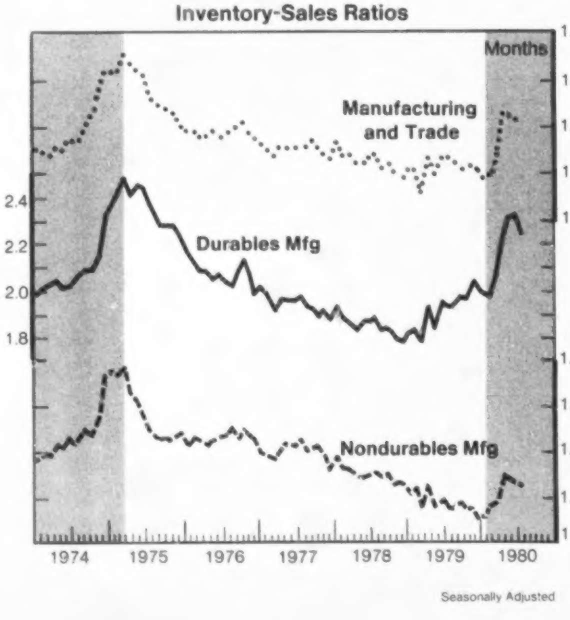


* Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income-to factors of production-generated in nonfinancial corporations

Capacity Utilization Rates



Inventory-Sales Ratios



Seasonally Adjusted

ECONOMIC FORECASTS

			ASA-NBER Survey of Regular Forecasters[1]		Merrill Lynch Economics Inc.[2]		Kent Economic Institute[2]		Michigan Research Seminar in Quantitative Economics[1]	
Date of Forecast			*Aug., 1980*		*Aug., 1980*		*Aug., 1980*		*Aug., 1980*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Current Dollars										
Actual	**1980**	**II**			**$2524.6**	**0.6%**	**$2524.6**	**0.6%**		
Forecast	1980	III	$2549.5	4.3%	2560.7	5.8	2572.7	7.8	$2544.4	3.4%
		IV	2602.5	8.6	2603.6	6.9	2651.4	12.8	2603.2	9.6
	1981	I	2667.0	10.3	2666.8	10.1	2714.2	9.8	2680.7	12.4
		II	2743.5	12.0	2747.1	12.6	2808.8	14.7	2775.5	14.9
		III	2846.5	15.9	2833.2	13.1	2920.7	16.9	2862.4	13.1
		IV			2918.6	12.6	3031.8	16.1	2949.6	12.8
	1982	I			3002.1	11.9	3081.6	6.7	3026.0	10.8
		II			3070.0	9.4	3182.2	13.7		
	1980	Annual	2548.9	7.6	2552.4	7.8	2567.4	8.4	2548.0	7.6
	1981	Annual			2791.4	9.4	2868.9	11.7	2817.1	10.6
Gross National Product Constant (1972) Dollars										
Actual	**1980**	**II**			**$1410.9**	**—9.0%**	**$1410.9**	**—9.0%**		
Forecast	1980	III	$1395.9	—4.0%	1401.7	—2.6	1408.9	—0.6	$1395.7	—4.2%
		IV	1393.5	—0.7	1396.7	—1.4	1418.6	2.8	1396.2	0.2
	1981	I	1404.8	3.3	1406.2	2.7	1426.3	2.2	1405.0	2.5
		II	1415.7	3.1	1426.2	5.8	1438.2	3.4	1421.1	4.7
		III	1430.4	4.2	1447.2	6.0	1453.1	4.2	1433.6	3.6
		IV			1465.6	5.2	1468.2	4.2	1445.6	3.4
	1982	I			1482.2	4.6	1480.1	3.3	1455.9	2.9
		II			1494.0	3.2	1498.2	5.0		
	1980	Annual	1411.1	—1.4	1413.5	—1.3	1420.6	—0.8	1411.9	—1.4
	1981	Annual			1436.3	1.6	1446.4	1.8	1426.3	1.0
Gross National Product Deflator Index, 1972 = 100										
Actual	**1980**	**II**			**178.9**	**10.6%**	**178.9**	**10.6%**		
Forecast	1980	III	182.5	8.3%	182.7	8.6	182.6	8.5	182.3	7.9%
		IV	186.7	9.5	186.4	8.4	186.9	9.8	186.4	9.4
	1981	I	190.6	8.6	189.6	7.1	190.3	7.5	190.8	9.7
		II	194.7	8.9	192.6	6.4	195.3	10.9	195.3	9.8
		III	198.8	8.7	195.8	6.7	201.0	12.2	199.7	9.2
		IV			199.1	7.1	206.5	11.4	204.0	9.1
	1982	I			202.5	7.0	208.2	3.3	207.8	7.7
		II			205.5	5.9	212.4	8.3		
	1980	Annual	180.6	9.2	180.6	9.2	180.7	9.2	180.5	9.1
	1981	Annual			194.3	7.6	198.3	9.7	197.5	9.4
Unemployment Rate										
Actual	**1980**	**II**			**7.5%**		**7.5%**			
Forecast	1980	III	8.0%		8.1		8.1		8.2%	
		IV	8.3		8.8		8.0		8.9	
	1981	I	8.5		8.9		7.7		9.2	
		II	8.3		8.7		7.2		9.2	
		III	8.1		8.3		7.0		9.0	
		IV			8.0		6.8		8.8	
	1982	I			7.8		6.7		8.6	
		II			7.6		6.4			
	1980	Annual	7.5		7.6		7.4		7.7	
	1981	Annual			8.5		7.2		9.0	

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary second quarter data.

[2] Based on revised second quarter data.

ECONOMIC FORECASTS (continued)

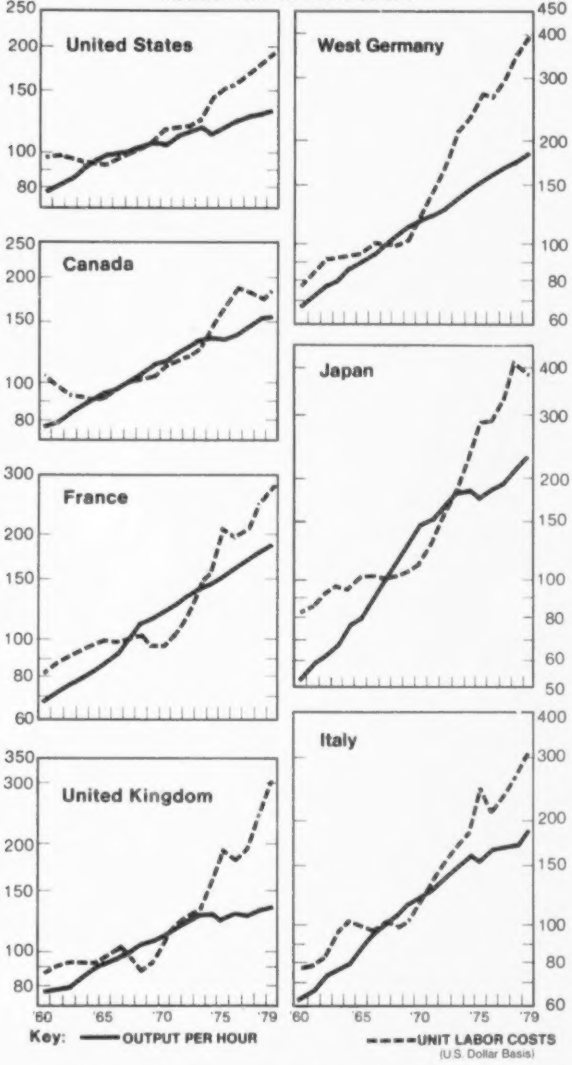
The Conference Board[1]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
July, 1980		*Aug., 1980*		*Aug., 1980*		*Aug., 1980*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Current Dollars		
		$2524.6	**0.6%**	**$2524.6**	**0.6%**	**$2524.6**	**0.6%**	**II**	**1980**	**Actual**
$2537.0	2.2%	2534.9	1.6	2557.7	5.3	2563.3	6.3	III	1980	Forecast
2589.0	8.5	2590.4	9.0	2606.7	7.9	2627.6	10.4	IV		
2661.0	11.6	2660.4	11.3	2673.0	10.6	2732.9	17.0	I	1981	
2752.0	14.4	2746.0	13.5	2751.3	12.2	2814.7	30.6	II		
2819.0	10.1	2820.5	11.3	2853.2	15.7	2899.1	12.5	III		
2887.0	10.0	2901.7	12.0	2956.8	15.3	2989.7	13.1	IV		
		2984.9	12.0	3059.1	14.6	3081.1	12.8	I	1982	
		3080.2	13.4	3162.9	14.3	3167.3	11.7	II		
2542.5	7.3	2542.7	7.3	2552.4	7.8	2559.1	8.0	Annual	1980	
2779.7	9.3	2782.1	9.4	2808.6	10.0	2859.1	11.7	Annual	1981	
								Gross National Product Constant (1972) Dollars		
		$1410.9	**−9.0%**	**$1410.9**	**−9.0%**	**$1410.9**	**−9.0%**	**II**	**1980**	**Actual**
$1389.1	−6.0%	1391.2	−5.5	1395.2	−4.4	1405.3	−1.6	III		Forecast
1392.6	1.0	1389.7	−0.4	1388.1	−2.0	1406.1	0.2	IV		
1405.2	3.7	1397.8	2.4	1392.9	1.4	1427.9	6.3	I	1981	
1425.4	5.9	1408.1	3.0	1402.7	2.8	1441.2	3.8	II		
1432.3	1.9	1418.3	2.9	1423.0	5.9	1455.7	4.1	III		
1436.5	1.2	1429.3	3.1	1440.2	4.9	1470.1	4.0	IV		
		1441.7	3.5	1457.0	4.7	1487.1	4.7	I	1982	
		1455.1	3.8	1474.5	4.9	1502.6	4.2	II		
1409.3	−1.6	1409.1	−1.6	1409.7	−1.5	1416.7	−1.0	Annual	1980	
1424.8	1.1	1413.4	0.3	1414.7	0.4	1448.7	2.3	Annual	1981	
								Gross National Product Deflator Index, 1972 = 100		
		178.9	**10.6%**	**178.9**	**10.6%**	**178.9**	**10.6%**	**II**	**1980**	**Actual**
182.6	8.7%	182.2	7.5	183.3	10.2	182.4	8.0	III	1980	Forecast
185.9	7.4	186.4	9.5	187.8	10.1	186.9	10.2	IV		
189.4	7.6	190.3	8.7	191.9	9.1	191.4	10.0	I	1981	
193.1	8.0	195.0	10.2	196.1	9.1	195.3	25.9	II		
196.8	8.0	198.9	8.1	200.5	9.2	199.2	8.1	III		
201.0	8.7	203.0	8.6	205.3	9.9	203.4	8.7	IV		
		207.0	8.2	210.0	9.4	207.2	7.7	I	1982	
		211.7	9.3	214.5	8.9	210.8	7.1	II		
180.5	9.1	180.5	9.1	181.1	9.5	180.7	9.2	Annual	1980	
195.1	8.1	196.8	9.0	198.5	9.6	197.4	9.3	Annual	1981	
								Unemployment Rate		
		7.5%		**7.5%**		**7.5%**		**II**	**1980**	**Actual**
8.2%		8.3		7.9		8.1		III	1980	Forecast
8.3		8.6		8.6		8.3		IV		
8.1		8.8		8.7		8.3		I	1981	
7.7		8.7		8.7		8.2		II		
7.5		8.8		8.6		8.2		III		
7.6		8.7		8.5		8.1		IV		
		8.6		8.3		8.0		I	1982	
		8.5		8.0		7.8		II		
7.5		7.6		7.5		7.5		Annual	1980	
7.7		8.7		8.6		8.2		Annual	1981	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900

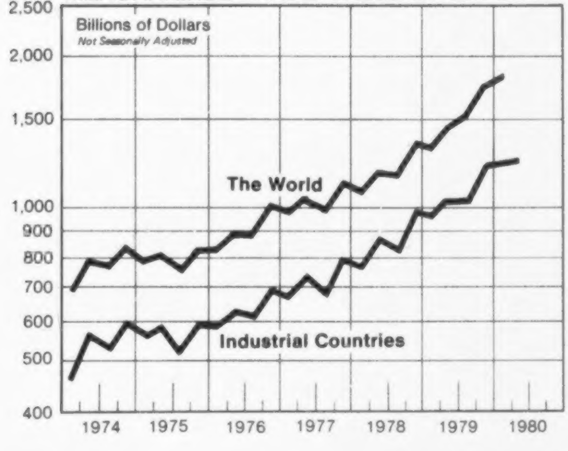
SELECTED INTERNATIONAL COMPARISONS

PRODUCTIVITY AND COSTS

INDEXES: 1967=100 RATIO SCALES

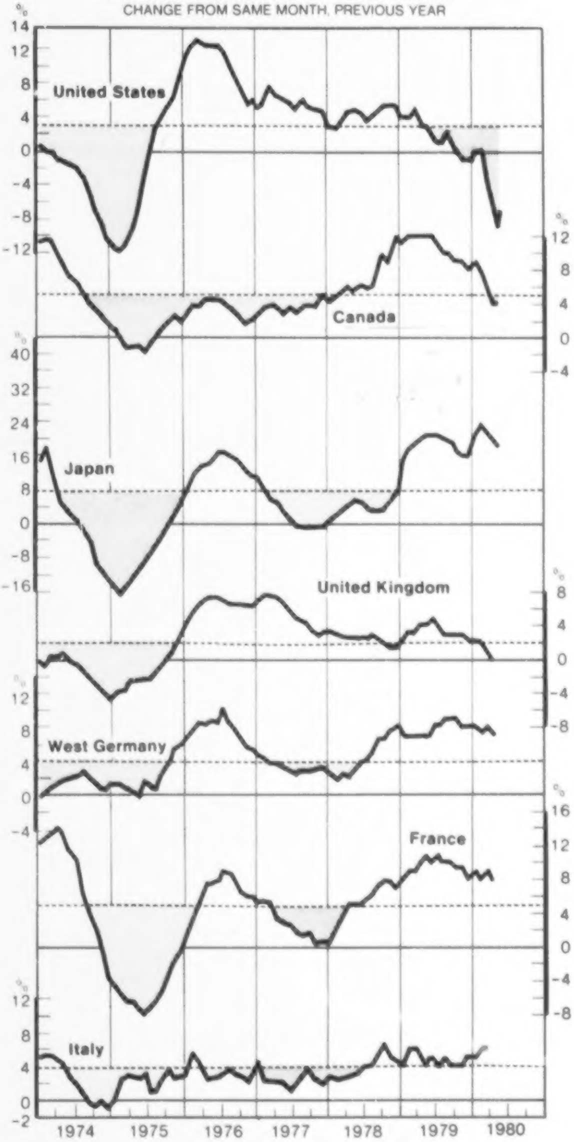


MERCHANDISE TRADE: VALUE OF EXPORTS

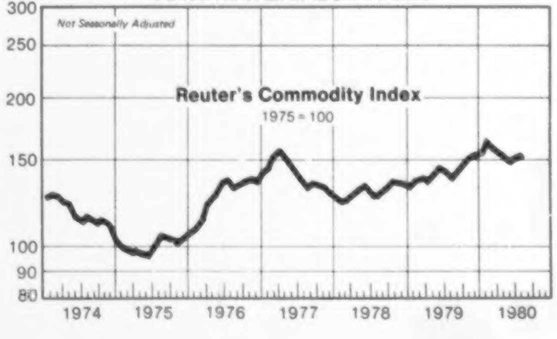


LEADING BUSINESS CYCLE INDEXES

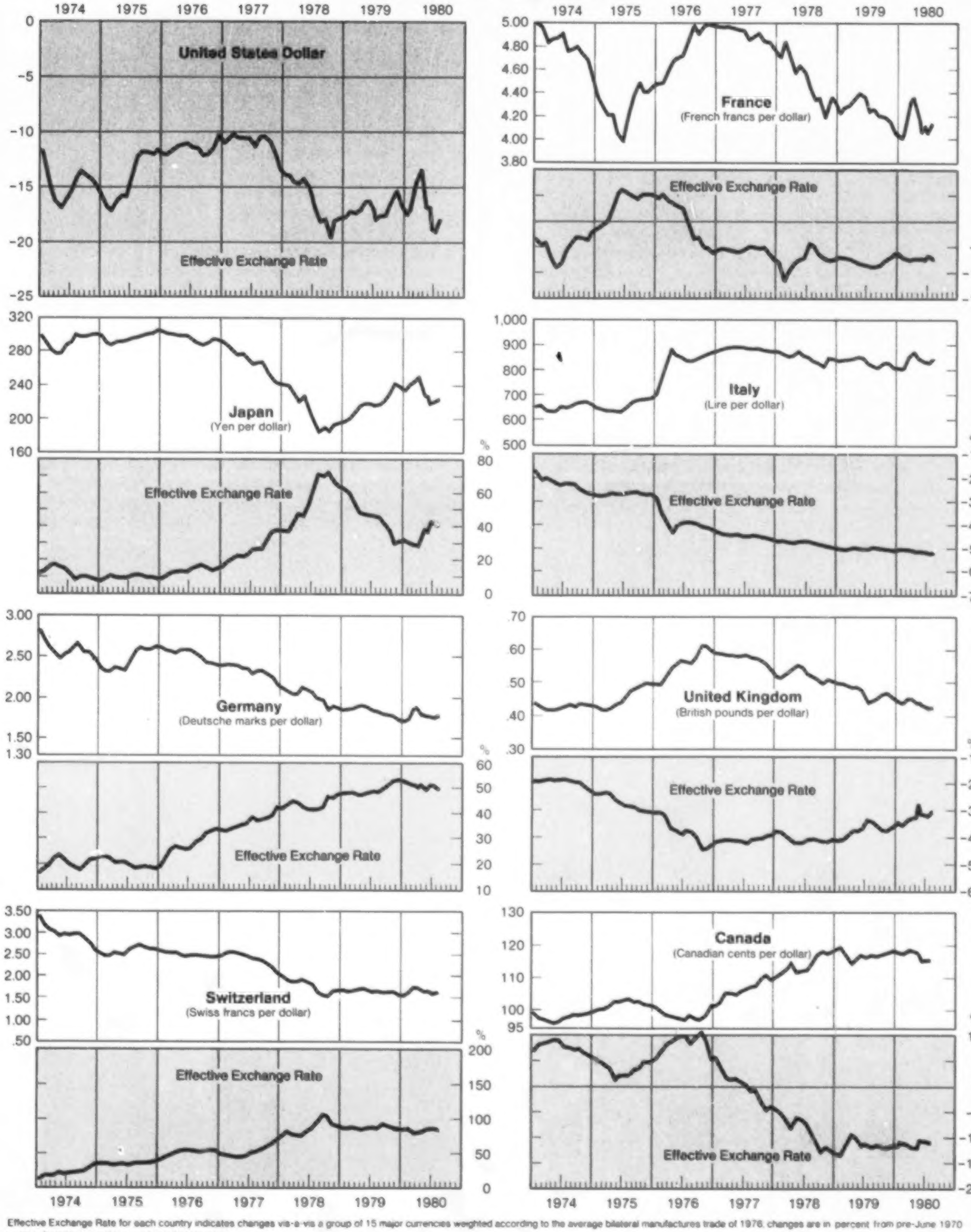
CHANGE FROM SAME MONTH, PREVIOUS YEAR



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies weighted according to the average bilateral manufactures trade of 1976; changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

Source: Morgan Guaranty Trust.

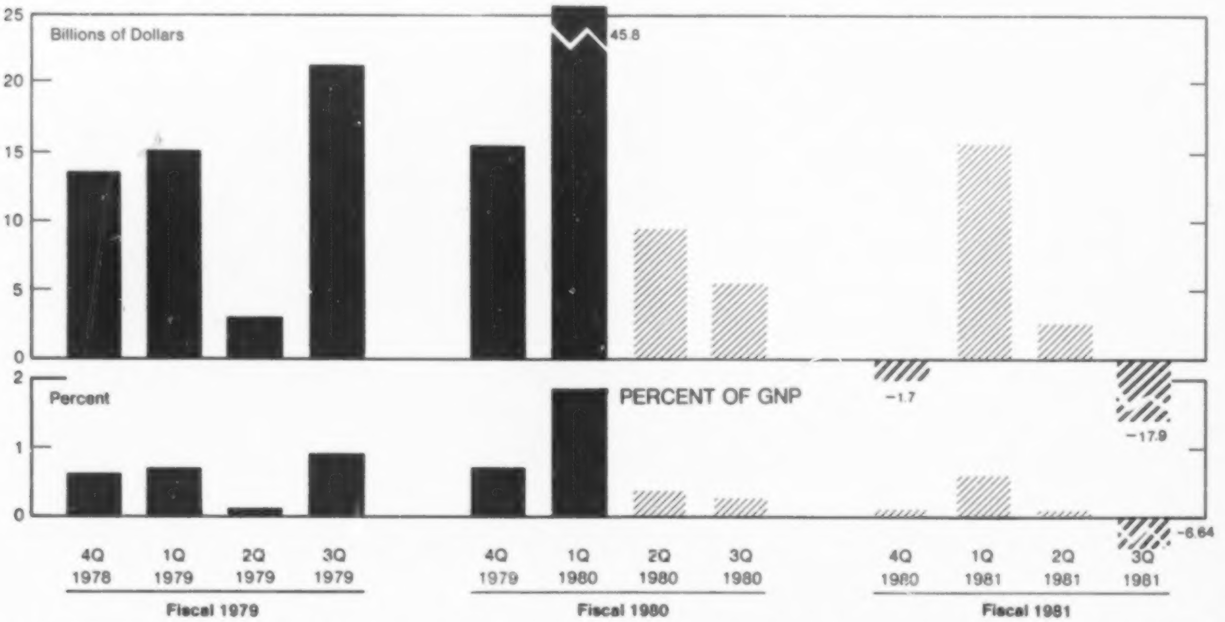
PERSPECTIVE ON THE FEDERAL BUDGET

($ Billions)

	Fiscal 1980			Fiscal 1981		
	Current Services (1/22/79)	Latest President's Proposal (3/31/80)	Third Budget Resolution (6/12/80)	Current Services (1/28/80)	Latest President's Proposal (3/31/80)	First Budget Resolution (6/12/80)
Receipts	**$504.5**	**$532.4**	**525.7**	**579.0**	**628.0**	**613.8**
Outlays	**536.1**	**568.9**	**572.5**	**612.0**	**611.5**	**613.6**
Deficit	**—31.6**	**—36.5**	**—47.0**	**—33.0**	**+ 16.5**	**+ 0.2**
Receipts by source	504.5	532.4	525.7	579.0	628.0	613.8
Individual income taxes	229.6	241.5	241.0	273.3	279.9	283.1
Corporate income taxes	71.0	74.2	71.4	74.7	74.1	67.6
Social insurance	161.2	163.5	163.5	186.0	188.9	189.9
Other receipts	42.7	53.2	49.8	45.0	85.1	74.2
Outlays by function	**536.1**	**568.9**	**572.5**	**612.0**	**611.5**	**613.6**
Income security	179.5	190.0	191.7	219.9	220.1	219.6
National defense	125.5	134.0	135.7	142.4	150.5	153.7
Health	55.1	56.5	56.5	63.4	61.9	61.7
Education and manpower	31.0	30.1	29.9	32.5	30.6	29.5
Veterans' benefits	20.4	20.7	20.5	21.7	21.4	21.2
Transportation	18.0	20.5	20.1	20.1	19.0	18.8
Natural resources and environment	11.8	12.8	13.6	12.8	12.5	12.1
Revenue sharing	9.2	8.8	8.6	8.5	7.4	6.8
International affairs	7.9	11.1	10.5	9.6	10.1	9.5
Community development	7.2	9.0	9.7	8.5	8.5	9.2
Energy	8.0	6.8	6.4	7.1	6.9	6.8
General science	5.4	5.9	5.9	6.3	6.2	6.1
General government	4.2	4.8	4.4	4.9	4.8	4.3
Justice	4.3	4.6	4.4	4.7	4.6	4.6
Agriculture	5.0	5.1	5.9	3.2	2.0	2.3
Commerce and housing credit	3.4	6.2	6.1	0.8	0.4	0.0
Interest	57.1	64.3	65.1	68.4	68.4	72.2
Allowances	2.1	—	0.0	2.4	1.4	0.0
Undistributed offsetting receipts	—19.0	—22.2	—22.3	—25.1	—24.9	—24.7

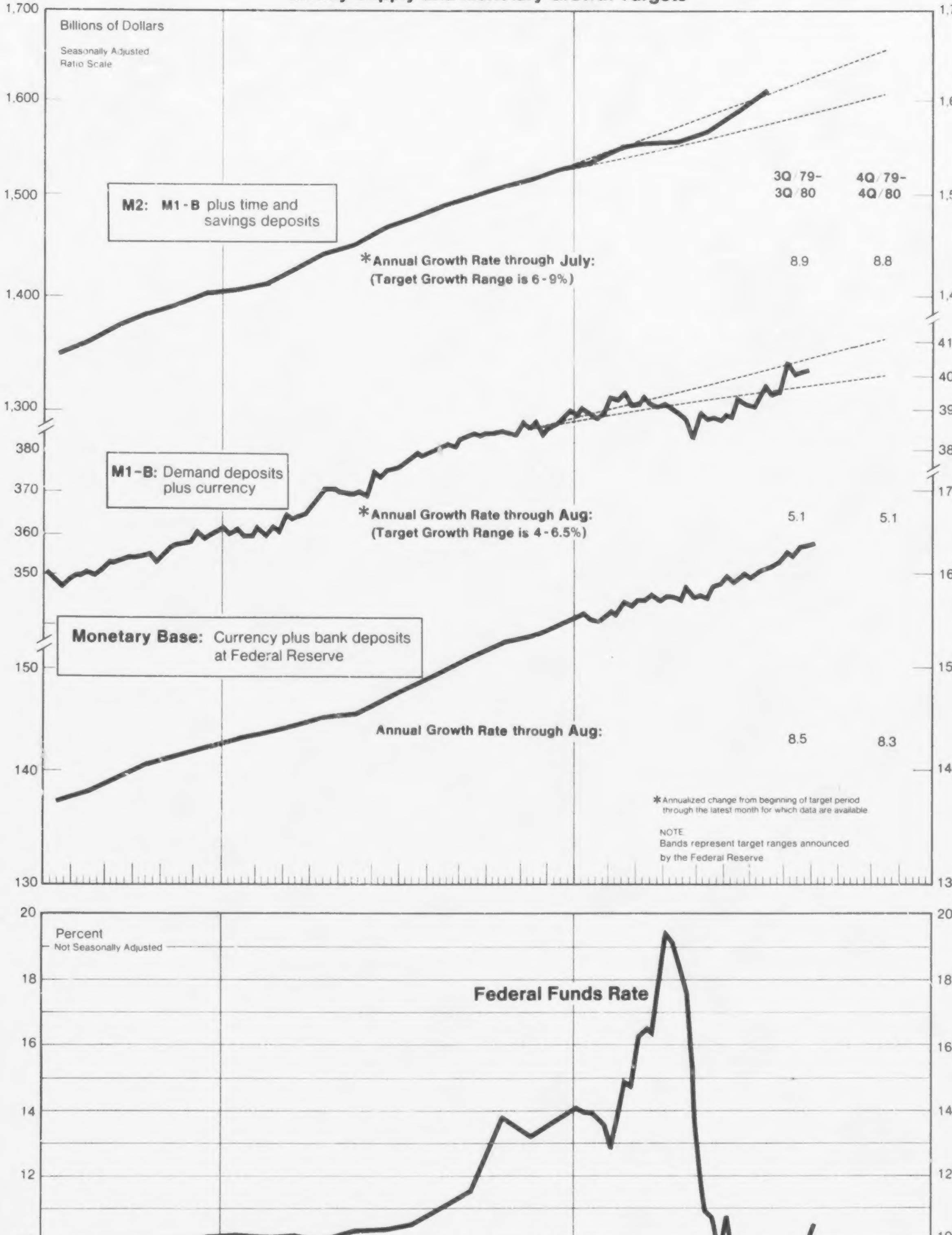
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy*, Fiscal 1977, No. 2, The Conference Board, New York: 1976.

Money Supply and Monetary Growth Targets



*Annualized change from beginning of target period through the latest month for which data are available

NOTE:
Bands represent target ranges announced by the Federal Reserve

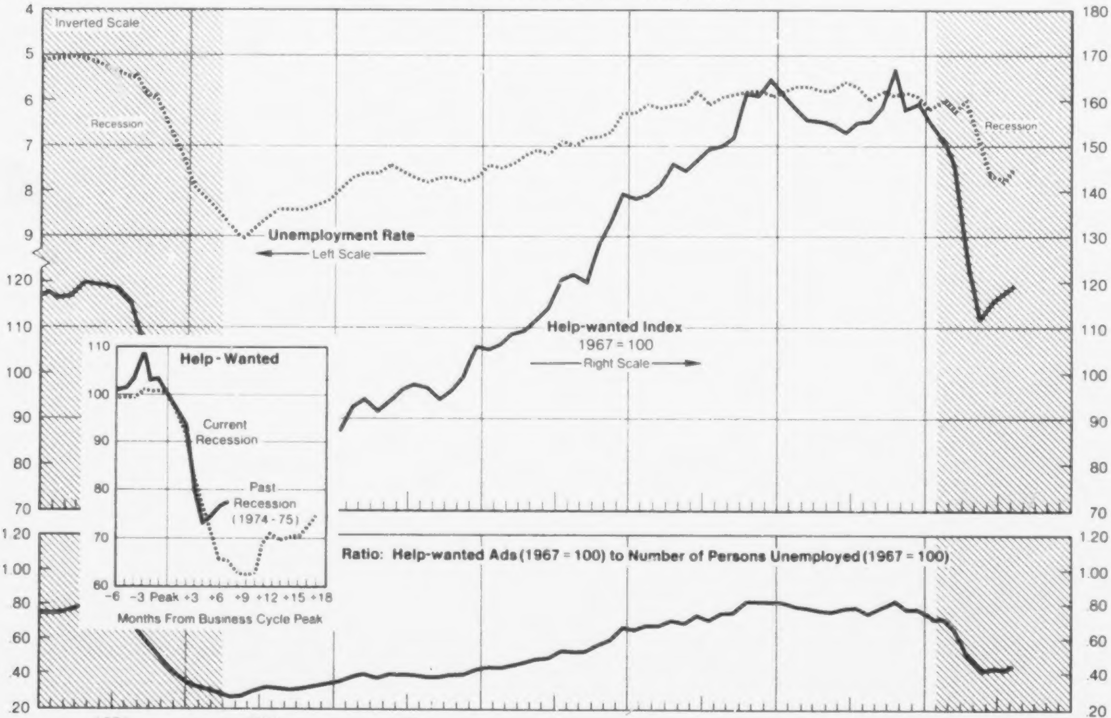
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1980			1979
	July	June	May	July
Total Index 51 papers	118	115	112	155
New England	118	115	113	137
Boston	128	125	122	143
Hartford	126	125	130	150
Providence	77	74	69	103
Middle Atlantic	64	61	57	73
Albany	89	85	78	108
Allentown	148	110	100	161
New York	57	56	54	59
Philadelphia	60	57	49	73
Pittsburgh	73	69	71	96
Rochester	62	55	52	81
Syracuse	79	81	71	97
East North Central	69	70	69	122
Chicago	68	69	67	117
Cincinnati	106	108	100	165
Cleveland	62	64	61	121
Columbus	101	105	99	158
Dayton	60	67	64	96
Detroit	49	47	48	93
Gary	103	105	96	189
Indianapolis	73	78	85	140
Milwaukee	64	59	64	129
Toledo	83	86	88	143
West North Central	74	78	80	129
Kansas City	99	101	93	151
Minneapolis	77	80	87	152
Omaha	99	100	101	165
St. Louis	52	56	58	85
South Atlantic	129	127	117	155
Atlanta	184	182	170	225
Baltimore	87	88	74	115
Charlotte	103	104	96	141
Jacksonville	127	117	113	127
Miami	135	129	132	160
Richmond	68	87	83	111
Washington, D.C.	138	133	119	154
East South Central	115	110r	106r	156
Birmingham	123	125	119	172
Knoxville	171	175	183	188
Louisville	68	64r	59	113
Memphis	98	104	102r	138
Nashville	152	117	112	193
West South Central	259	248	240	296
Dallas	218	214	218	261
Houston	384	365	344	433
New Orleans	185	169	171	198
Oklahoma City	201	189	184	238
San Antonio	169	163	153	180
Tulsa	213	204	195	248
Mountain	246	242	236	367
Denver	217	206	184	314
Phoenix	271	287	270	409
Salt Lake City	267	250	289	412
Pacific	177	172	172	218
Los Angeles	154	154	148	190
Sacramento	247	233	239	316
San Bernardino	125	116	120	171
San Diego	296	274	265	354
San Francisco	181	174	182	208
Seattle	187	184	200	253
Percentage of papers with rising volume	59%	65%	4%	51%
Unemployment rate	7.8%	7.7%	7.8%	5.7%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



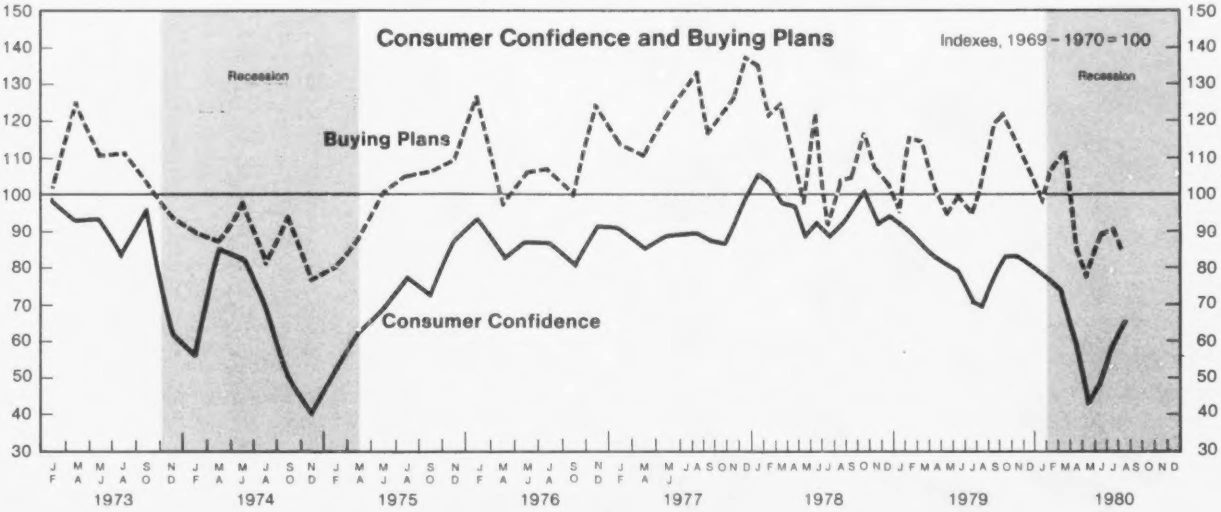
CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1978	105.2	103.8	97.3	96.9	88.8	92.5	88.8	91.4	95.4	101.4	91.8	94.0
1979	91.7	91.4	84.9	82.2	80.8	78.5	70.0	69.0	78.2	83.6	83.0	80.8
1980	79.1	76.4	71.5	52.9	42.1	48.6	59.4r	65.8p				
Buying Plans Index												
1978	134.3	120.7	124.3	109.5	97.1	121.7	91.2	104.0	104.2	116.9	106.4	103.1
1979	95.1	115.4	114.4	100.6	95.4	99.6	94.6	101.7	119.4	121.9	113.4	107.2
1980	99.2	107.0	116.4	85.3	76.2	89.0	90.2r	84.2p				

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

Billions of Dollars; Quarterly Data are Seasonally Adjusted at Annual Rates

		Aggregate Purchasing Power	Discretionary Purchasing Power	Discretionary Saving	Discretionary Spending	Discretionary Purchasing Power as % of Aggregate	Discretionary Spending as % of Aggregate	Discretionary Spending as % of Discretionary Purchasing Power
1975	I	$1075.2	$399.5	$ 67.5	$332.0	37.2%	30.9%	83.1%
	II	1155.6	469.7	125.2	344.5	40.6	29.8	73.3
	III	1160.5	453.4	125.8	327.6	39.1	28.2	72.3
	IV	1220.9	485.4	118.8	366.6	39.8	30.0	75.5
1976	I	1258.3	499.9	133.5	366.4	39.7	29.1	73.3
	II	1288.1	507.0	120.3	386.7	39.4	30.0	76.3
	III	1308.4	514.5	125.5	389.0	39.3	29.7	75.6
	IV	1343.4	533.7	118.2	415.5	39.7	30.9	77.9
1977	I	1394.3	560.4	139.4	421.0	40.2	30.2	75.1
	IIr	1432.2	583.3	143.2	440.1	40.7	30.7	75.4
	IIIr	1520.5	602.0	171.0	431.0	39.6	28.3	71.6
	IVr	1526.1	624.9	146.1	478.8	40.9	31.4	76.6
1978	Ir	1559.9	648.3	141.4	506.9	41.6	32.5	78.2
	IIr	1633.1	680.8	176.8	504.0	41.7	30.9	74.0
	IIIr	1672.4	693.1	184.2	508.9	41.4	30.4	73.4
	IVr	1701.4	690.9	150.3	540.6	40.6	31.8	78.2
1979	Ip	1746.1	712.2	149.5	562.7	40.8	32.2	79.0

Note: For an explanation of discretionary purchasing power and spending, see Morton Ehrlich, *Discretionary Spending*, (The Conference Board, 1966).

P—Preliminary R—Revised

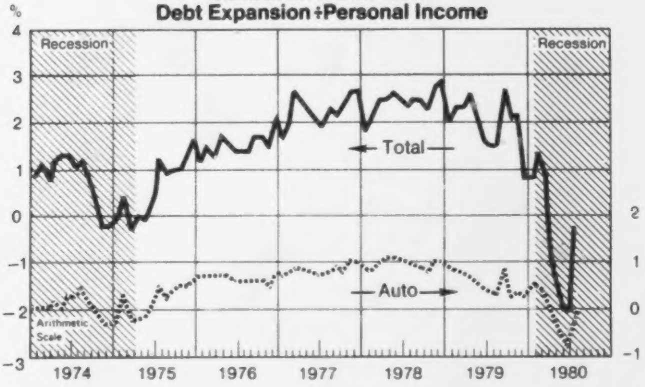
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

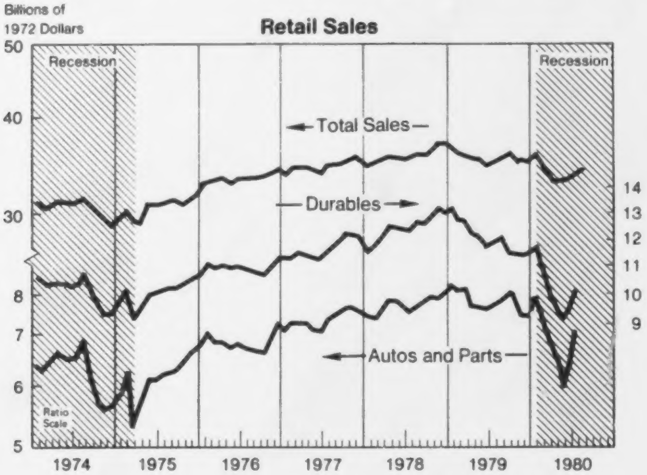
Periods		1977	1978	1979	1980
January:	1-10	9.25	8.86	9.60	8.97
	11-20	9.51	8.03	9.55	7.19
	21-31	8.68	8.03	9.11	9.23
February:	1-10	9.83	8.00	9.20	7.28
	11-20	8.20	9.15	9.13	8.28
	21-28(29)	9.10	8.35	8.82	7.20
March:	1-10	9.86	8.49	8.83	8.11
	11-20	7.81	10.62	9.32	7.84
	21-31	9.69	8.32	8.29	5.98
April:	1-10	7.88	9.96	9.28	7.05
	11-20	9.25	9.44	7.79	5.27
	21-30	9.00	9.64	8.48	5.38
May:	1-10	9.21	9.72	8.52	4.95
	11-20	8.84	9.85	7.41	5.28
	21-31	9.04	10.22	8.41	5.15
June:	1-10	9.75	9.94	6.98	5.57
	11-20	9.31	10.38	7.59	5.60
	21-30	9.60	9.36	6.83	5.41
July:	1-10	9.25	10.04	8.08	6.54
	11-20	8.30	8.69	7.79	5.67
	21-31	9.18	9.15	8.83	6.71
August:	1-10	9.26	9.89	8.08	5.63
	11-20	9.38	8.89	10.76	6.85
	21-31	9.62	10.07	8.47	6.92
September:	1-10	9.60	8.14	9.44	
	11-20	9.14	9.07	9.34	
	21-30	8.31	9.02	7.26	
October:	1-10	9.45	9.57	6.24	
	11-20	9.31	9.08	8.04	
	21-31	9.50	9.82	8.64	
November:	1-10	9.46	8.92	6.65	
	11-20	8.34	9.44	8.07	
	21-30	8.91	9.24	7.08	
December:	1-10	8.06	10.00	7.63	
	11-20	9.07	8.57	7.83	
	21-31	9.07	8.41	8.06	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.

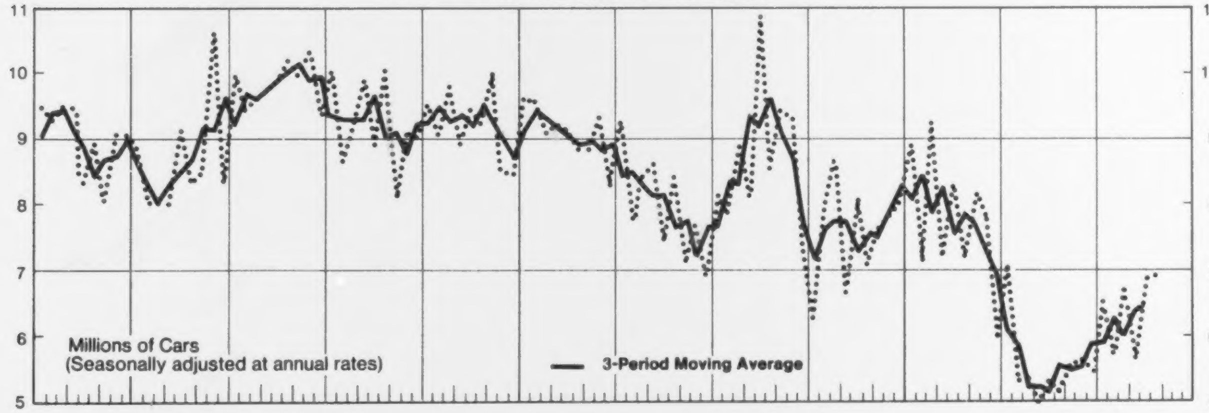
Consumer Installment Debt Expansion ÷ Personal Income



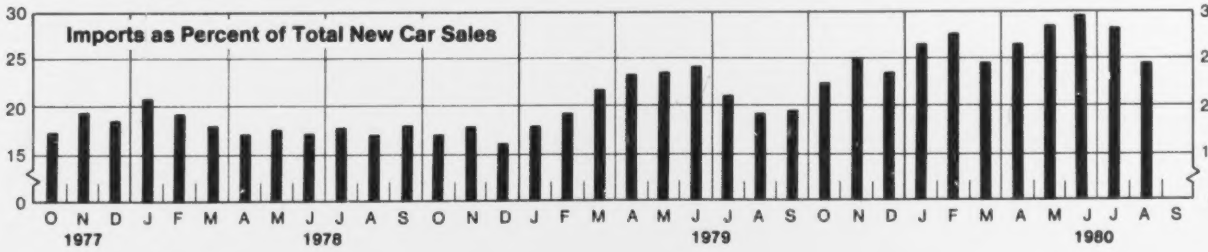
Retail Sales



Domestic-Model Car Sales



Imports as Percent of Total New Car Sales



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STATISTICAL BULLETIN

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THE CONFERENCE BOARD

comment Energy price hikes back in 1973 added fuel to already hot inflationary fires. Monetary policy, ever faced with the dilemma of being restrictive enough to limit inflation yet expansive enough to maintain economic growth, was forced to turn more restrictive. The ensuing recession resulted in part from those developments—in contrast to previous cyclical declines which sprang more from imbalanced supply/demand conditions. The 1980 experience has been a not-quite-instant replay of the 1974 performance. In both instances, as activity slowed so did inflation. In 1975, as activity picked up, inflation began again to accelerate. By mid-1978, as indicated on the *Key Determinants of Profit Margins* chart, price increases were sufficiently high to reduce purchasing power despite wage increases running at about a 10% annual rate. That weakening in consumer demand has been a large part of the story of the 1980 recession. The crucial point is that as activity begins to quicken in the near term, inflation can be expected to accelerate and economic policy may be forced into a still greater emphasis on containing it—and policy options adopted to contain inflation run the risk of stalling out the recovery as early as summer of 1981.

More immediately, the recession is over but the recovery period has hardly begun. Although the 1980 recession was marked by a very short, steep decline, it clearly does not have the "V" shape typical of postwar cycles. Activity through most of 1979 was not consistently slow enough to earn the title of recession but on the other hand was far from buoyant. The year is best described as a transition period from expansion to recession. Now that the recession is over, it seems that economic activity is once again in a period of transition—being neither still in recession nor as yet in a convincing expansion.

Part of the reason why the economy came out of recession is that consumer market activity came out of the doldrums. Retail sales, adjusted for inflation, have been continually improving, however modestly, since last June. That has also been the trend in sales of cyclically-sensitive durable goods—most particularly, the very hard-hit auto market. New domestic *Automobile Sales* bottomed out at a seasonally adjusted average of 5.13 million (annual rate) in May. By September, the selling rate had improved to an average of 6.68 million.

Consumer market activity has improved because consumer attitudes have brightened. The Conference Board's *Consumer Confidence Index* stood at 75.8 (1959-1979 = 100) in September compared with a level of only 42.1 recorded last May. Despite the improvement, the September level was relatively low, but the improvement is probably more important than the index level.

The pickup in sales, though modest, has spurred some increase in production. After declining for six consecutive months, industrial production actually rose in August and September. And the rate of industrial capacity use was higher in August than in July, marking the first increase in almost a year.

The composite index of *Leading Economic Indicators* turned up in June and has continued to rise since. This points to some recovery of strength in economic activity, and implies that the recession is past. The general view expressed in the *Economic Forecasts* is that output is rising in the fourth quarter of 1980. The median of the forecasts for real output is that it declined 0.7% (seasonally adjusted at an annual rate) in the third quarter, and will edge up 0.9% in the fourth. Hence the view that the recovery is only slowly getting underway and that the fourth quarter will mark a transition period with a pace of activity that is more stagnant than either expansionary or recessionary.

The lack of any significant pickup in output in the fourth quarter implies that the national unemployment rate will rise even though the recession is over. The Conference Board's *Help-wanted Index*, a measure of labor demand, has trended upward over the last few months, and that is consistent with the rise in industrial production. However, the increase in the size of the working-age population dictates that the economy must

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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THE CONFERENCE BOARD IN CANADA
25 McArthur Road
Ottawa, Ontario, K1L-6R3, Canada

845 Third Avenue
New York, New York 10022

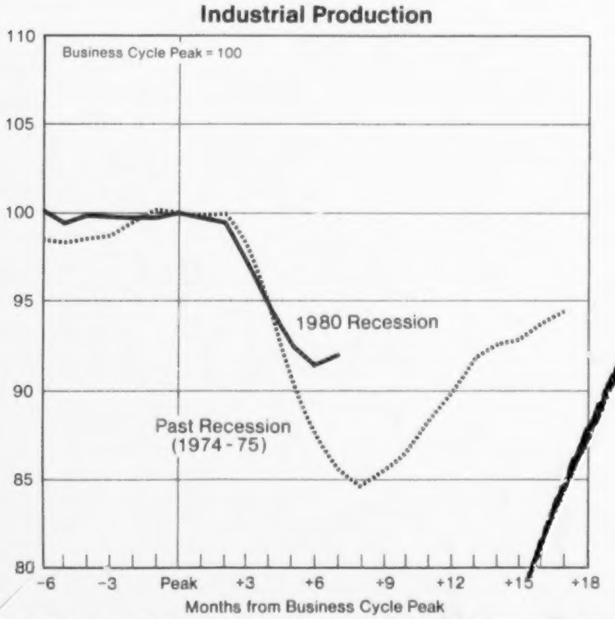
THE CONFERENCE BOARD IN EUROPE
Avenue Louise, 326-Bte 48
B-1050 Brussels, Belgium

expand just to keep the employed portion of the population from declining. Therefore, despite the rise in production and its resultant rise in labor demand, the *Economic Forecasts* indicate that the unemployment rate is likely to move from an average of 7.5% in the third quarter to 7.8% in the fourth quarter.

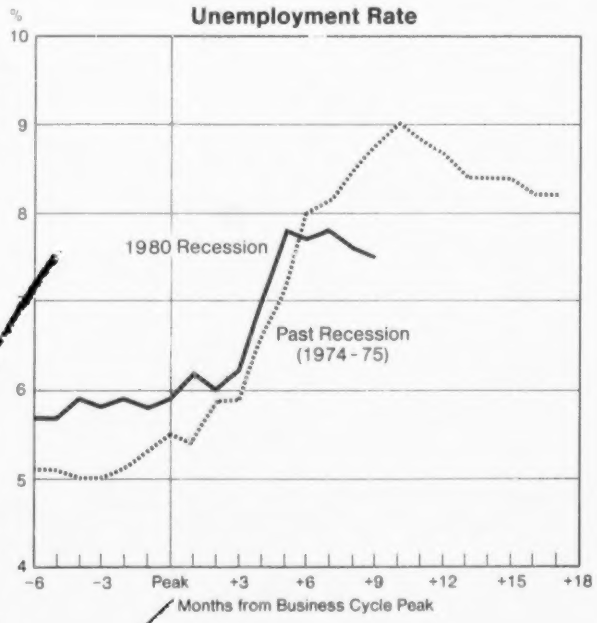
The economic outlook for the first two quarters of 1981 is only marginally brighter than that for the last few months of 1980. Activity is still expected to be more sluggish than expansionary, and that implies some further modest rise in unemployment. The median forecast is for real output to increase by a 2.4% annual rate in the first quarter of 1981 and by 3% in the second quarter. The unemployment rate is anticipated to climb to 8.2% in the first quarter. In the second quarter, it is expected to average 8.1% and to improve from then on.

The inflation outlook is at best guarded, at worst ominous. The slowdown in activity eased credit demand, both for commercial and industrial and for consumer loans. That translated into slow growth of the monetary aggregates as well as declines in interest rates. In August, however, both consumer installment loan and industrial and commerical loan demand picked up somewhat. And as the *Money Supply and Monetary Targets* chart shows, the money aggregates began expanding at a quite rapid pace. In the past, higher money supply growth would have meant an increase in loanable funds which would have exerted at least temporary downward pressure on interest rates. Starting in August, however, interest rates began rising—no doubt due to renewed concern over inflation and the market's belief that faster money growth means more inflation. The Federal Funds rate—the rate at which banks borrow from other banks—had declined to as low as 8.68% in late July, and was still at only 8.85% in mid-August. By the end of August, it had jumped to 10.47%, and by the end of September it had climbed to 12.38 percent. All of this implies substantial concern over the possibility of renewed inflationary fires breaking out—concerns on the part of lenders, borrowers and policy formulators. The *Economic Forecasts* do not provide much in the way of comfort. Inflation, as measured by the implicit price deflator for GNP, is not expected to drop below about 8½% in 1981. At the end of the last recession, inflation subsided to about a 5% rate before embarking on its most recent acceleration. So we are starting from a much higher point. Any forecast for 1981 must allow for the possibility that attempts to limit an acceleration of inflation will run the risk of aborting the recovery.

Ken Goldstein



Note: August, 1974 is charted as the peak month for the 1974-75 recession. This dating, which has been adopted throughout this publication for analytical purposes, diverges from that of the National Bureau of Economic Research (which puts the peak at November, 1973). January, 1980 is charted as the peak month for the 1980 recession, and the third quarter has been charted as the trough, on a preliminary basis—and is subject to change.



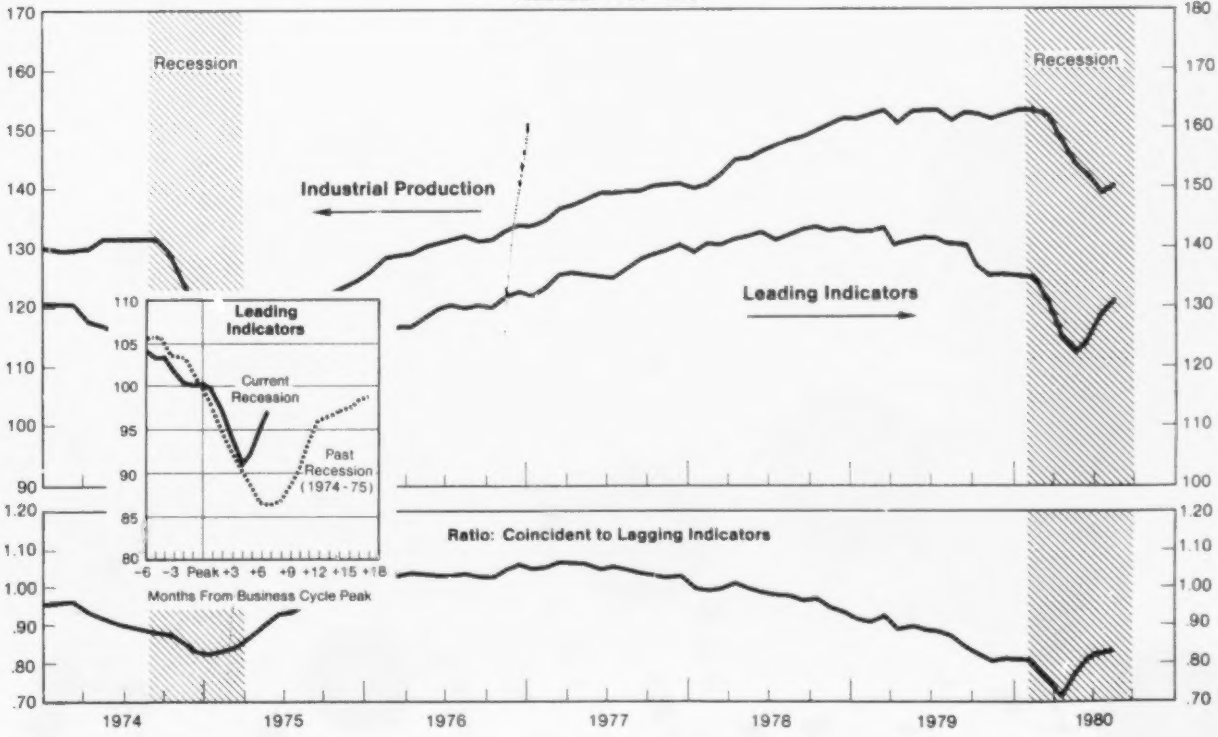
STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Aug.	X			+ 6.7%	— 6.5%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Aug.	X			+ 17.4%	+ 1.0%
New orders, nondefense capital goods (deflated)	Aug.		X		+ 6.1%	— 4.6%
*Net business formation	June			X	— 4.3%	—12.5%
*Housing permits	Aug.	X			+ 65.0%	—17.7%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Aug.		X		+ 8.1%	—11.5%
*Change in inventory, on hand & order (deflated)	July			X	— 7.1%	—29.6%
Purchasing agents’ buying policy	Sept.		X		+ 8 %	— 6 %
*Vendor performance, reported slower deliveries	Aug.		X		+ 6.3%	—38.2%
Industrial raw materials prices	Sept.	X			+ 11.3%	+ 0.2%
*Change in sensitive prices	Aug.		X		+ 1.2%	— 1.1%
Sensitive Financial Flows						
*Money balance (M2, deflated)	Aug.	X			+ 2.5%	— 3.1%
Change in business loans	Sept.	X			+ 19.2%	—23.5%
*Change in liquid assets	Aug.		X		+ 0.1%	— 0.2%
Change in consumer installment debt	July		X		+ 16.5%	—36.6%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q			X	—21.3%	—16.5%
*Common stock prices	Sept.	X			+ 11.2%	+ 17.3%
Marginal Employment Adjustments						
*Average workweek, mfg.	Sept.	X			+ 0.4hr	— 0.7hr
Initial unemployment claims (inverted)	Aug.	X			+ 20.9%	—28.7%
*Layoff rate, mfg. (inverted)	Aug.		X		— 1.5%	+ 0.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Business Conditions Digest*, (Washington, D.C.: Government Printing Office) November, 1975, p. V.

*These twelve series make up the Composite Leading Index charted below.

Economic Indicators
Indexes: 1967=100



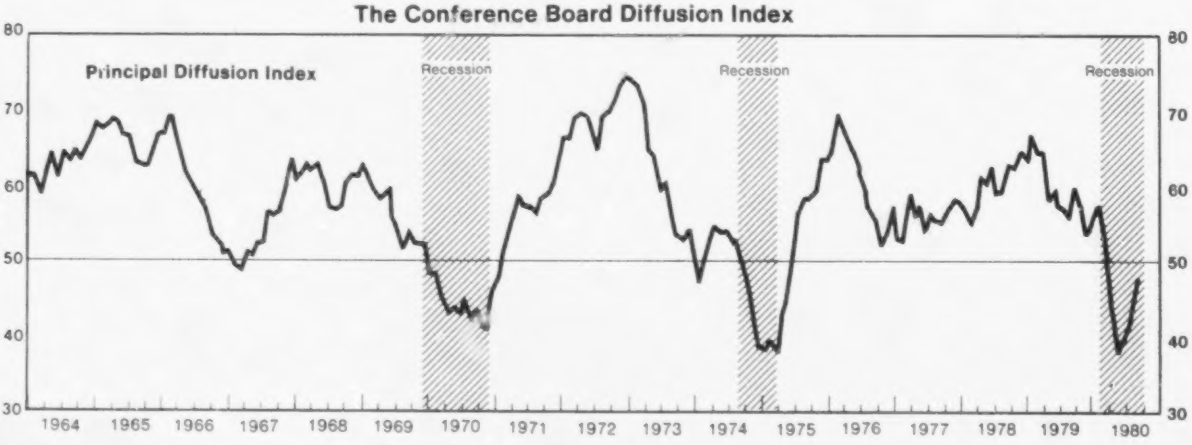
CONFERENCE BOARD DIFFUSION INDEXES

	1979	1980			
DIFFUSION INDEXES	Aug.	May	June	July	Aug.(e)
Principal Diffusion Index	56.6r	38.3r	39.7r	42.7r	47.1
Auxiliary Diffusion Index	45.3r	33.9r	54.7r	59.6r	64.6
Industrial Group	49.5r	29.9r	31.9r	33.0r	37.4
Nonindustrial Group	63.7	46.7	47.6	52.3r	56.9
Sense of Diffusion	0	—1.0	—1.0	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	58.1r	33.1r	26.5r	21.2r	26.9
Labor	42.1	29.4	36.0	40.5	44.9
Miscellaneous	55.1	26.3	29.5	32.1	34.6
Nonindustrial Subgroups					
Prices	71.8	52.6	50.6	57.1	63.5
Consumer	73.9	59.0	59.4	64.5	69.2
Building	44.9	21.8	32.1	41.7r	46.8
Miscellaneous	60.7	47.0	44.0	44.0r	46.8

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1978				1979				1980		
	Feb.	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*
	Score (scale 0-100)										
Measure of Business Confidence	52	58	49	40	43	41	32	32	40	29	49
1. Appraisal of Current Economic Conditions Compared With Six Months Ago.............	46	60	58	45	47	47	28	29	36	16	28
2. Expectations for Economy, Six Months Ahead.......................	49	54	42	33	36	33	29	29	38	31	60
3. Expectations for Own Industry, Six Months Ahead.......................	59	60	49	43	46	43	39	38	45	40	60

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

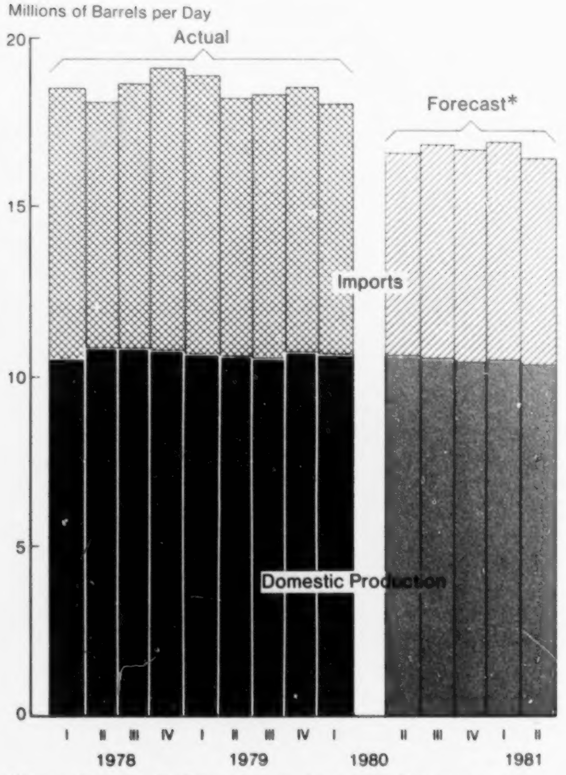
	1979			1980				1981			
						PROJECTIONS					
	IIr	IIIr	IVr	Ir	IIp	III	IV	I	II	III	IV
1000 LARGEST MANUFACTURING FIRMS											
New appropriations	21.201	22.688	23.279	29.503	25.761	16.1	15.0	17.7	18.2	17.2	17.2
Capital expenditures	17.566	18.707	19.647	21.296	21.426	19.3	20.1	20.1	19.7	18.9	18.1
Change in appropriations backlog*	+2.317	+3.496	+3.216	+7.424	+3.624	−5.0	−6.6	−3.8	−3.1	−3.3	−2.6
Durable Goods											
New appropriations	10.627	10.488	11.470	14.420	9.625	7.7	6.5	6.4	6.7	7.1	7.4
Capital expenditures	8.361	9.099	9.647	10.316	10.213	9.3	9.2	8.7	7.8	7.0	6.3
Change in appropriations backlog*	+1.995	+1.321	+1.838	+3.524	−0.863						
Nondurable Goods											
New appropriations	10.574	12.200	11.809	15.083	16.136	8.4	8.5	11.3	11.5	10.1	9.8
Capital expenditures	9.205	9.608	10.000	10.980	11.213	10.1	10.9	11.4	12.0	11.9	11.8
Change in appropriations backlog*	+0.322	+2.175	+1.378	+3.900	+4.487						
ELECTRIC & GAS UTILITIES											
New appropriations	6.854	10.980	8.916	15.158	27.003						
Capital expenditures	7.179	7.234	7.077	7.331	7.579						
Change in appropriations backlog*	−1.634	+3.221	−7.191	+5.132	+15.858						

Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request. Projections are based on The Conference Board's capital appropriations forecasting model.

r—revised p—preliminary

* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

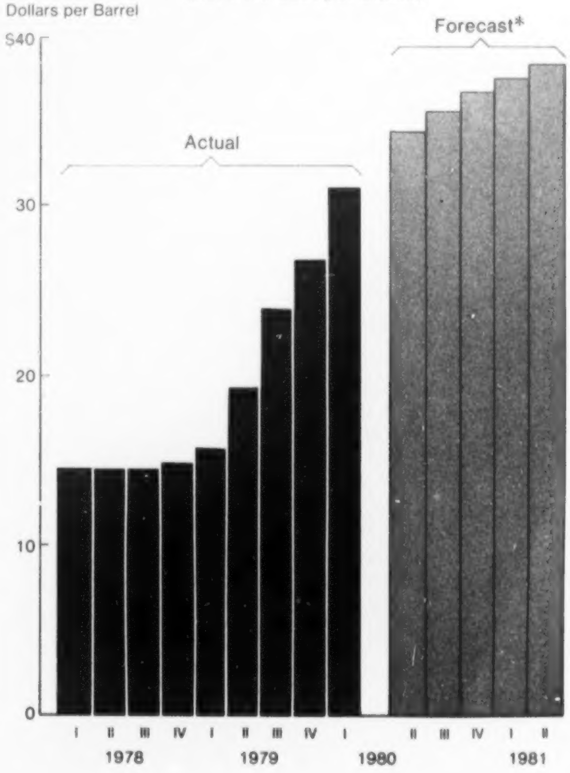
Oil Supply



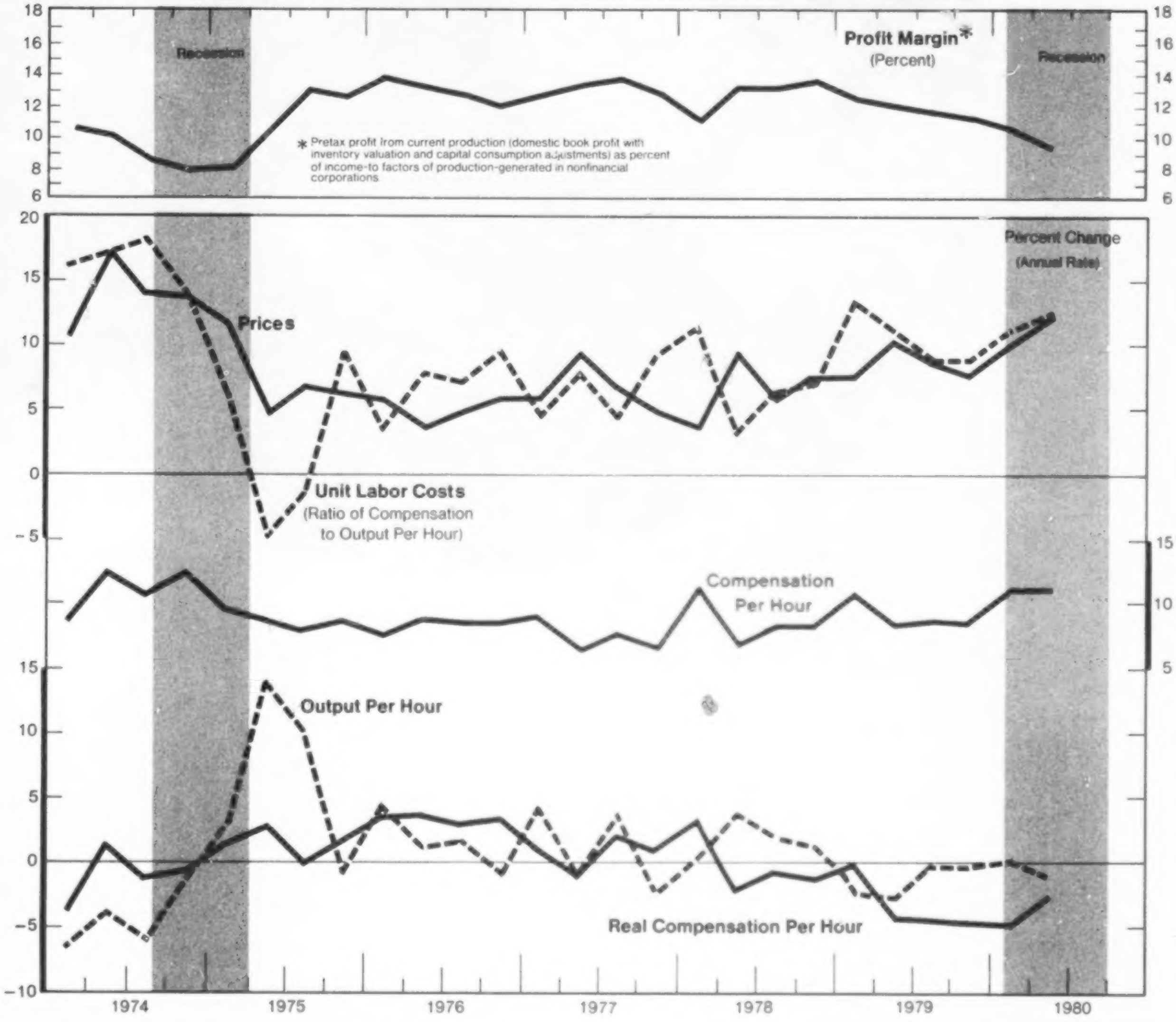
* Source of forecast is The Energy Information Administration, Department of Energy

Cost of Imported Oil

(Refiners Cost per Barrel)

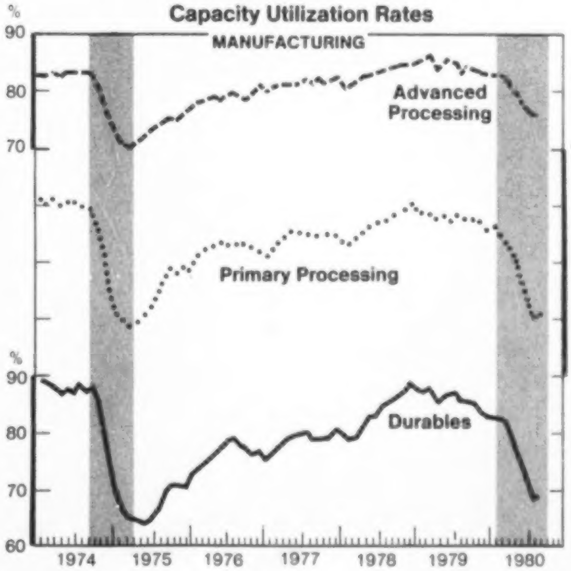


Key Determinants of Profit Margin, Nonfinancial Corporations

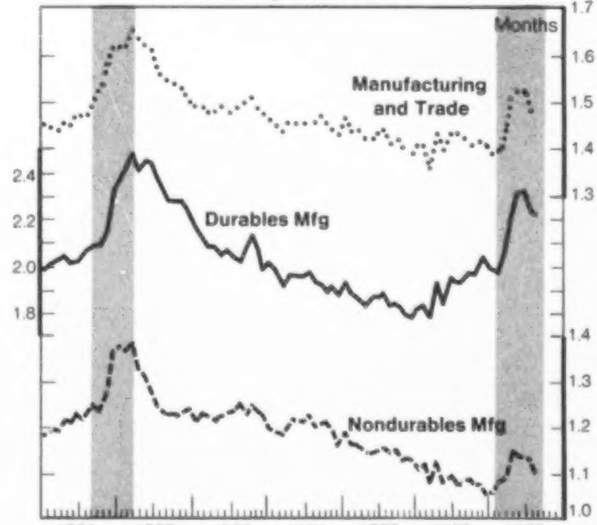


* Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income-to factors of production-generated in nonfinancial corporations

Capacity Utilization Rates



Inventory-Sales Ratios



Seasonally Adjusted

ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[3]		Kent Economic Institute[3]		Michigan Research Seminar in Quantitative Economics[1]	
Date of Forecast			*Sept., 1980*		*Sept., 1980*		*Sept., 1980*		*Aug., 1980*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Current Dollars										
Actual	**1980**	**II**			**$2521.3**	**0.1%**	**$2521.3**	**0.1%**		
Forecast	1980	III	$2551.0	4.2%	2585.9	10.6	2577.9	9.3	$2544.4	3.4%
		IV	2614.4	10.3	2638.7	8.4	2650.5	11.7	2603.2	9.6
	1981	I	2697.6	13.4	2700.9	9.8	2718.5	10.7	2680.7	12.4
		II	2792.2	14.8	2782.9	12.7	2811.9	14.5	2775.5	14.9
		III	2889.9	14.7	2863.1	12.0	2926.0	17.2	2862.4	13.1
		IV	2998.6	15.9	2946.0	12.4	3048.6	17.8	2949.6	12.8
	1982	I	3099.6	14.2	3032.2	11.9	3088.0	5.3	3026.0	10.8
		II	3199.5	13.5	3101.4	9.4	3188.4	13.7		
	1980	Annual	2552.7	7.8	2566.7	8.4	2567.6	8.4	2548.0	7.6
	1981	Annual	2844.6	11.4	2823.7	10.0	2876.2	12.0	2817.1	10.6
Gross National Product Constant (1972) Dollars										
Actual	**1980**	**II**			**$1408.6**	**—9.6%**	**$1408.6**	**—9.6%**		
Forecast	1980	III	$1399.8	—3.1%	1413.2	1.3	1411.7	0.9	$1395.7	—4.2%
		IV	1398.6	—.3	1408.8	—1.2	1419.5	2.2	1396.2	0.2
	1981	I	1406.9	2.4	1416.4	2.2	1427.8	2.4	1405.0	2.5
		II	1422.2	4.4	1434.9	5.3	1440.5	3.6	1421.1	4.7
		III	1438.0	4.5	1451.5	4.7	1455.7	4.3	1433.6	3.6
		IV	1456.0	5.1	1467.6	4.5	1470.3	4.1	1445.6	3.4
	1982	I	1473.8	5.0	1484.1	4.6	1482.5	3.4	1455.9	2.9
		II	1489.2	4.2	1496.2	3.3	1500.4	4.9		
	1980	Annual	1413.5	—1.3	1418.8	—.9	1421.1	—.7	1411.9	—1.4
	1981	Annual	1430.6	1.2	1442.6	1.7	1448.6	1.9	1426.3	1.0
Gross National Product Deflator Index, 1972 = 100										
Actual	**1980**	**II**			**179.0**	**10.7%**	**179.0**	**10.7%**		
Forecast	1980	III	182.2	7.6%	183.0	9.2	182.6	8.3	182.3	7.9%
		IV	186.9	10.7	187.3	9.8	186.7	9.3	186.4	9.4
	1981	I	191.7	10.7	190.7	7.4	190.4	8.1	190.8	9.7
		II	196.3	9.9	193.9	7.0	195.2	10.5	195.3	9.8
		III	201.0	9.8	197.3	7.0	201.0	12.4	199.7	9.2
		IV	205.9	10.3	200.9	7.5	207.3	13.2	204.0	9.1
	1982	I	210.3	8.8	204.3	7.0	206.3	1.8	207.8	7.7
		II	214.8	8.9	207.3	5.9	212.5	8.3		
	1980	Annual	180.6	9.1	180.9	9.3	180.7	9.2	180.5	9.1
	1981	Annual	198.8	10.1	195.7	8.2	196.6	9.9	197.5	9.4
Unemployment Rate										
Actual	**1980**	**II**	**7.5%**		**7.5%**		**7.5%**		**7.5%**	
Forecast	1980	III	7.8		7.6		7.6		8.2	
		IV	8.2		8.3		7.8		8.9	
	1981	I	8.0		8.4		7.6		9.2	
		II	7.8		8.3		7.4		9.2	
		III	7.7		8.1		7.1		9.0	
		IV	7.6		8.0		6.9		8.8	
	1982	I	7.5		7.8		6.8		8.6	
		II	7.5		7.7		6.4			
	1980	Annual	7.4		7.4		7.3		7.7	
	1981	Annual	7.8		8.2		7.3		9.0	

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary second quarter data.

[2] Based on revised (1st revision) second quarter data.

[3] Based on revised (2nd revision) second quarter data.

ECONOMIC FORECASTS (continued)

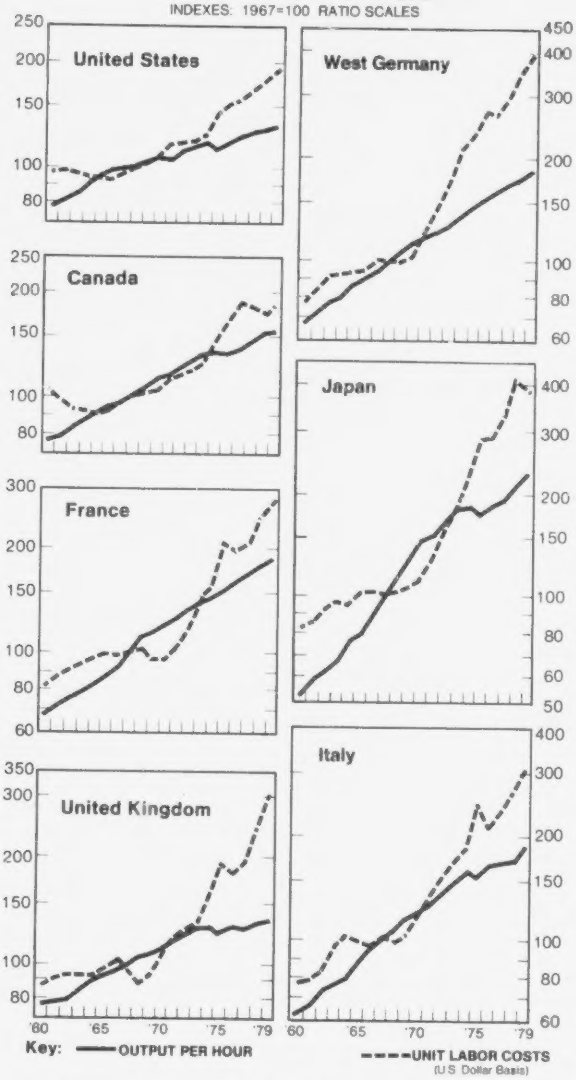
The Conference Board[3]		Chase Econometric Associates, Inc.[3]		Data Resources Inc.[3]		Wharton E.F.A. Inc.[3]				
Sept., 1980		*Sept., 1980*		*Sept., 1980*		*Sept., 1980*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Current Dollars		
$2521.3	0.1%	**$2521.3**	0.1%	**$2521.3**	0.1%	**$2521.3**	0.1%	II	**1980**	**Actual**
2571.0	8.1	2561.4	6.5	2584.8	10.5	2567.8	7.6	III	1980	Forecast
2640.0	11.2	2612.9	8.3	2659.6	12.1	2642.3	12.1	IV		
2721.0	12.8	2684.5	11.4	2736.2	12.0	2738.4	15.4	I	1981	
2776.0	8.3	2769.7	13.3	2817.0	12.3	2814.2	11.5	II		
2848.0	10.8	2852.8	12.6	2908.5	13.6	2890.6	11.3	III		
2938.0	13.3	2941.8	13.1	3005.4	14.0	2968.7	11.3	IV		
		3032.6	12.9	3099.6	13.1	3053.4	11.9	I	1982	
		3124.7	12.7	3201.1	13.8	3134.7	11.1	II		
2563.3	8.2	2554.1	7.8	2571.6	8.6	2562.9	8.2	Annual	1980	
2820.7	10.0	2812.2	10.1	2866.8	11.5	2653.0	11.3	Annual	1981	
								Gross National Product Constant (1972) Dollars		
$1408.6	−10.4%	**$1408.6**	−9.6%	**$1408.6**	−9.6%	**$1408.6**	−9.6%	II	**1980**	**Actual**
1404.2	−1.2	1405.7	−.8	1410.7	0.6	1407.8	−.2	III	1980	Forecast
1409.5	1.5	1401.1	−1.3	1416.3	1.6	1414.0	1.8	IV		
1421.8	3.5	1406.5	1.6	1424.1	2.2	1431.0	4.9	I	1981	
1421.9	0.0	1416.4	2.8	143[illegible].2	2.9	1440.7	2.7	II		
1428.8	2.0	1429.9	3.9	1448.7	4.1	1450.8	2.8	III		
1443.0	4.0	1444.1	4.0	1459.9	3.1	1458.7	2.2	IV		
		1457.8	3.8	1471.0	3.1	1471.7	3.6	I	1982	
		1468.9	3.1	1484.6	3.7	1484.5	3.5	II		
1417.5	−1.0	1415.0	−1.2	1420.1	−.8	1418.8	−.9	Annual	1980	
1428.9	0.8	1424.2	0.7	1441.7	1.5	1445.3	1.9	Annual	1981	
								Gross National Product Deflator Index, 1972 = 100		
179.0	11.7%	**179.0**	10.7%	**179.0**	10.7%	**179.0**	10.7%	II	**1980**	**Actual**
183.1	9.5	182.2	7.4	183.2	9.8	182.4	7.8	III	1980	Forecast
187.3	9.5	186.5	9.7	187.8	10.3	186.9	10.2	IV		
191.4	9.0	190.9	9.7	192.1	9.6	191.4	10.0	I	1981	
195.2	8.3	195.5	10.2	196.4	9.2	195.3	8.6	II		
199.3	8.7	199.5	8.4	200.8	9.2	199.2	8.2	III		
203.6	8.9	203.7	8.7	205.9	10.5	203.5	8.9	IV		
		206.0	8.7	210.7	9.8	207.5	8.0	I	1982	
		212.7	9.3	215.6	9.6	211.2	7.3	II		
180.8	9.3	180.5	9.1	181.1	9.4	180.6	9.2	Annual	1980	
197.4	9.2	197.5	9.4	198.8	9.8	197.4	9.3	Annual	1981	
								Unemployment Rate		
7.5%		**7.5%**		**7.5%**		**7.5%**		II	**1980**	**Actual**
7.7		7.8		7.7		7.8		III	1980	Forecast
7.7		8.3		7.8		8.1		IV		
7.4		8.4		7.7		8.0		I	1981	
7.9		8.4		7.6		8.0		II		
7.8		8.3		7.5		7.9		III		
7.4		8.3		7.3		7.8		IV		
		8.2		7.2		7.8		I	1982	
		8.1		7.1		7.6		II		
7.2		7.4		7.3		7.4		Annual	1980	
7.6		8.3		7.5		7.9		Annual	1981	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

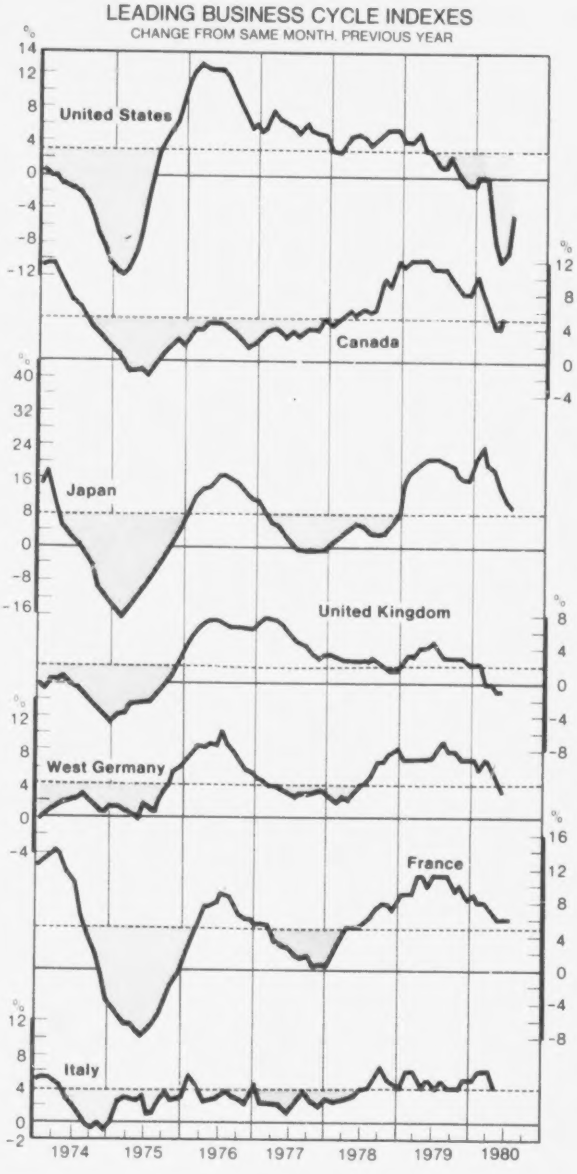
PRODUCTIVITY AND COSTS

INDEXES: 1967=100 RATIO SCALES

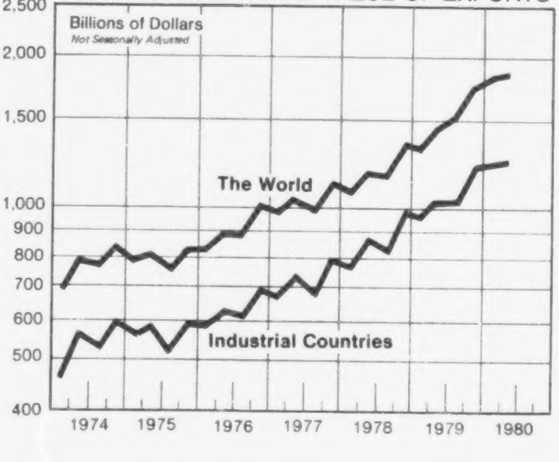


LEADING BUSINESS CYCLE INDEXES

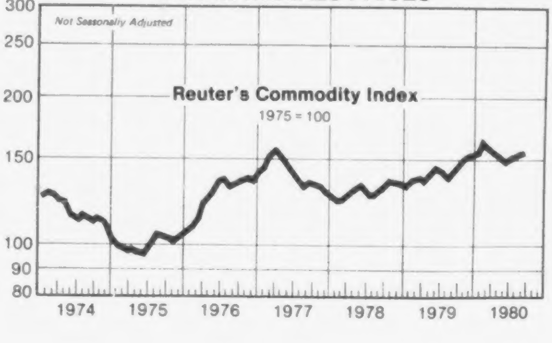
CHANGE FROM SAME MONTH, PREVIOUS YEAR



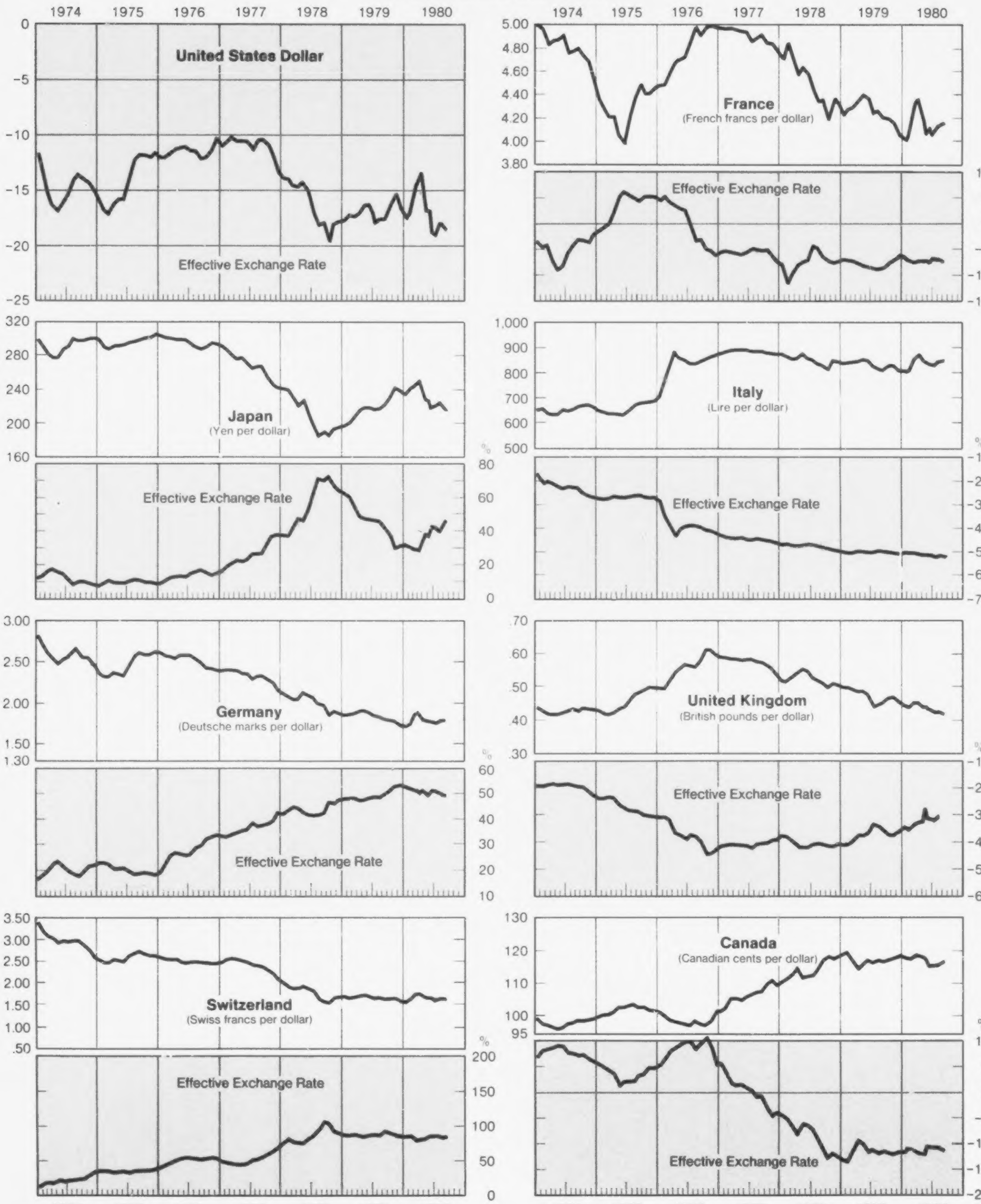
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies weighted according to the average bilateral manufactures trade of 1976; changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

Source: Morgan Guaranty Trust

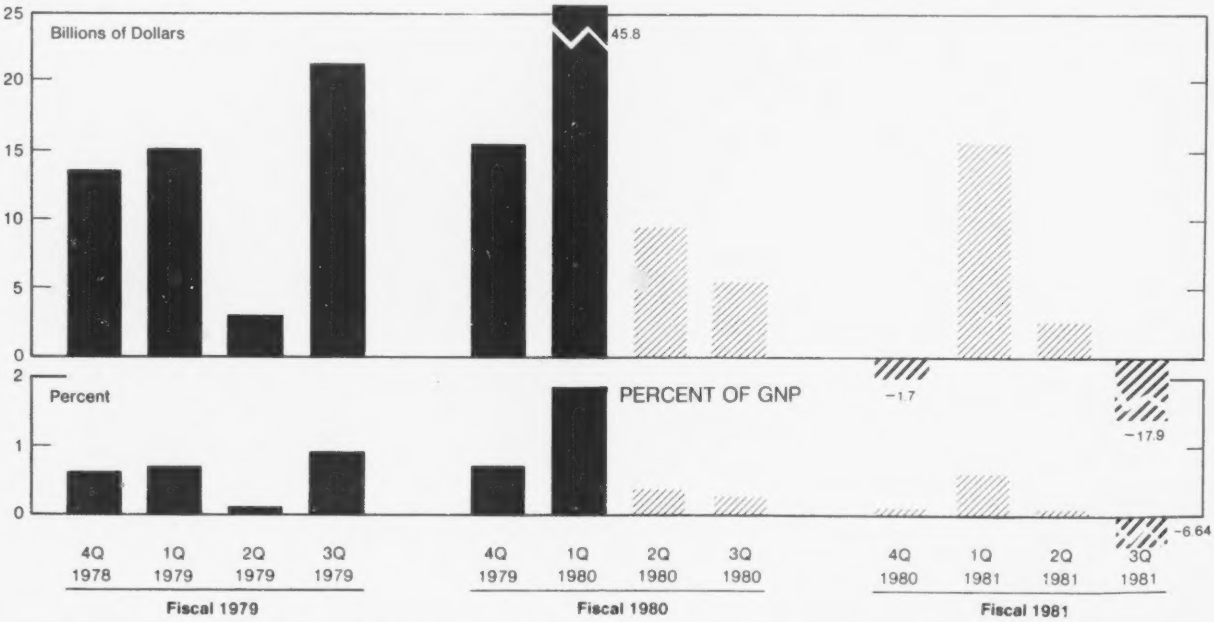
PERSPECTIVE ON THE FEDERAL BUDGET

($ Billions)

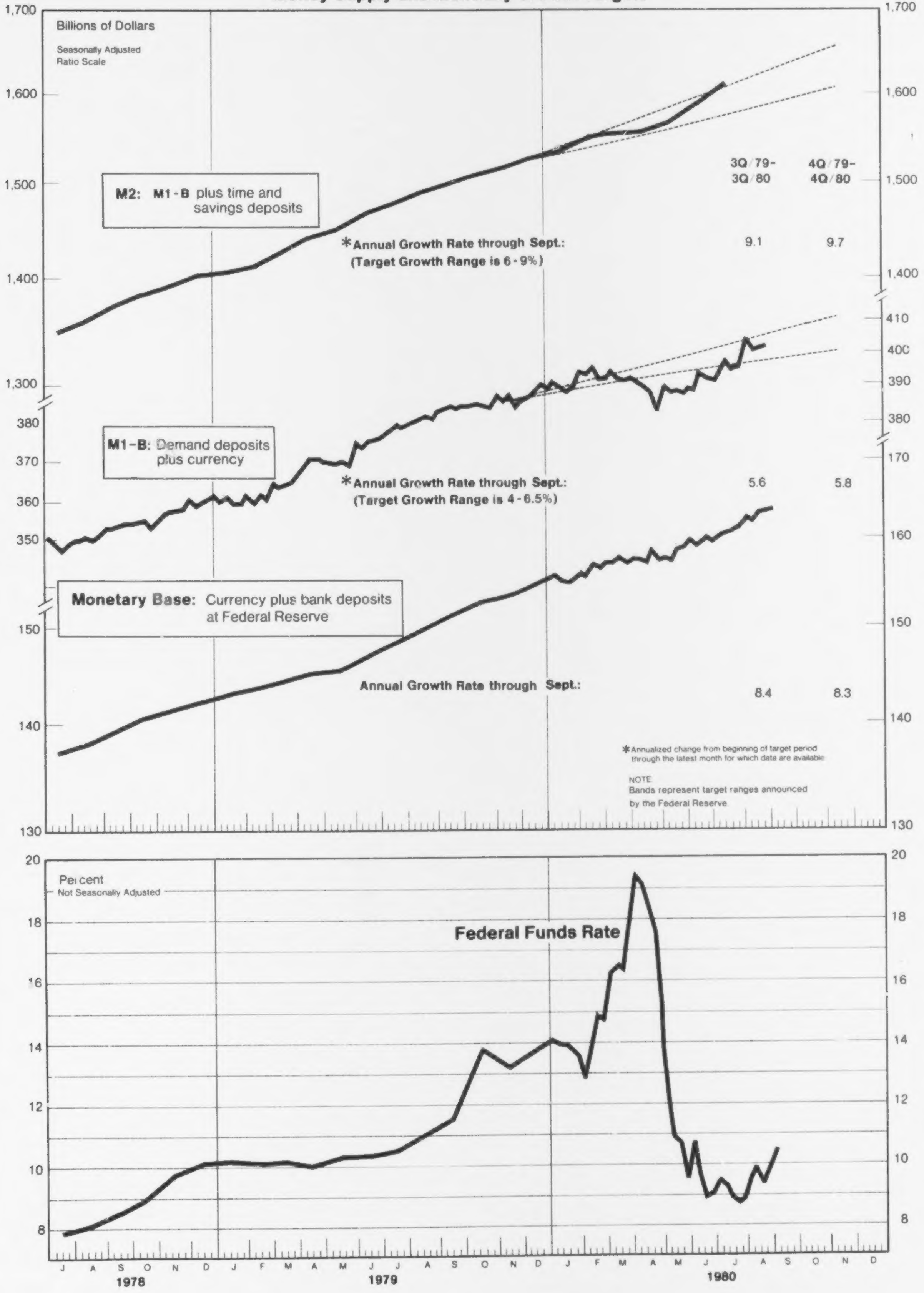
	Fiscal 1980			Fiscal 1981		
	Current Services (1/22/79)	Latest President's Proposal (7/21/80)	Third Budget Resolution (6/12/80)	Current Services (1/28/80)	Latest President's Proposal (7/21/80)	First Budget Resolution (6/12/80)
Receipts	**$504.5**	**$517.9**	**525.7**	**579.0**	**604.0**	**613.8**
Outlays	**536.1**	**578.8**	**572.5**	**612.0**	**633.8**	**613.6**
Deficit	**—31.6**	**—60.9**	**—47.0**	**—33.0**	**—29.8**	+0.2
Receipts by source	504.5	517.9	525.7	579.0	604.0	613.8
Individual income taxes	229.6	240.7	241.0	273.3	278.2	283.1
Corporate income taxes	71.0	65.5	71.4	74.7	66.4	67.6
Social insurance	161.2	160.5	163.5	186.0	184.5	189.9
Other receipts	42.7	51.2	49.8	45.0	74.9	74.2
Outlays by function	**536.1**	**578.8**	**572.5**	**612.0**	**633.8**	**613.6**
Income security	179.5	193.5	191.7	219.9	230.4	219.6
National defense	125.5	135.6	135.7	142.4	157.5	153.7
Health	55.1	56.9	56.5	63.4	63.4	61.7
Education and manpower	31.0	29.9	29.9	32.5	30.9	29.5
Veterans' benefits	20.4	20.9	20.5	21.7	21.8	21.2
Transportation	18.0	20.8	20.1	20.1	19.2	18.8
Natural resources and environment	11.8	13.7	13.6	12.8	13.1	12.1
Revenue sharing	9.2	8.6	8.6	8.5	7.3	6.8
International affairs	7.9	10.9	10.5	9.6	10.3	9.5
Community development	7.2	9.5	9.7	8.5	9.3	9.2
Energy	8.0	6.5	6.4	7.1	7.2	6.8
General science	5.4	5.7	5.9	6.3	6.2	6.1
General government	4.2	5.0	4.4	4.9	4.7	4.3
Justice	4.3	4.6	4.4	4.7	4.6	4.6
Agriculture	5.0	5.8	5.9	3.2	2.2	2.3
Commerce and housing credit	3.4	8.3	6.1	0.8	0.7	0.0
Interest	57.1	64.3	65.1	68.4	67.6	72.2
Allowances	2.1	—	0.0	2.4	1.4	0.0
Undistributed offsetting receipts	—19.0	—21.9	—22.3	—25.1	—24.0	—24.7

Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy*, Fiscal 1977, No. 2, The Conference Board, New York, 1976



Money Supply and Monetary Growth Targets

*Annualized change from beginning of target period through the latest month for which data are available

NOTE
Bands represent target ranges announced by the Federal Reserve

CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

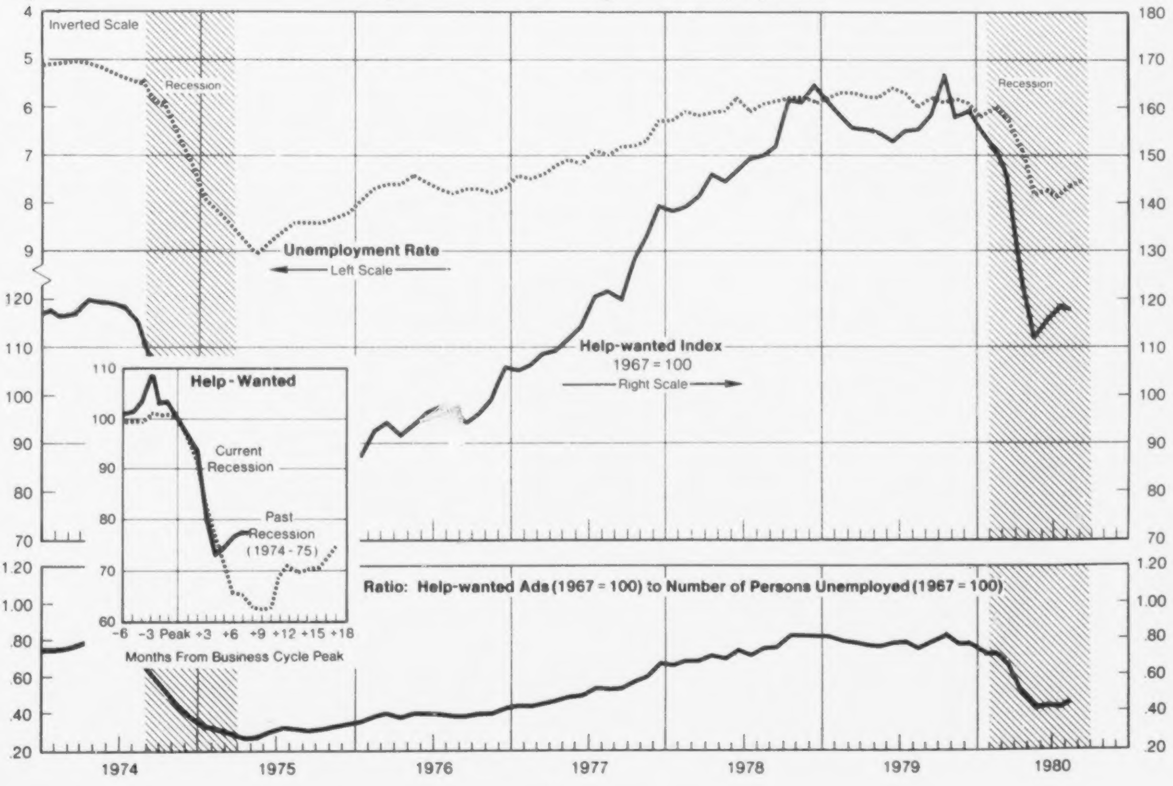
Seasonally Adjusted Indexes, 1967 = 100

	1980 Aug.	1980 July	1980 June	1979 Aug.
Total Index 51 papers	118	118	115	155
New England	116	118	115	137
Boston	123	128	125	141
Hartford	138	126	125	163
Providence	75	77	74	99
Middle Atlantic	60	64	61	72
Albany	83	89	85	104
Allentown	106	148	110	158
New York	54	57	56	60
Philadelphia	57	60	57	68
Pittsburgh	73	73	69	102
Rochester	59	62	55	75
Syracuse	75	79	81	90
East North Central	69	69	70	118
Chicago	68	68	69	116
Cincinnati	106	106	108	170
Cleveland	62	62	64	111
Columbus	97	101	105	154
Dayton	65	60	67	95
Detroit	49	49	47	86
Gary	95	103	105	192
Indianapolis	73	73	78	137
Milwaukee	63	64	59	119
Toledo	92	83	86	139
West North Central	77	74	78	126
Kansas City	94	99	101	150
Minneapolis	81	77	80	150
Omaha	105	99	100	174
St. Louis	54	52	56	75
South Atlantic	129	129	127	154
Atlanta	176	184	182	219
Baltimore	84	87	88	117

	1980 Aug.	1980 July	1980 June	1979 Aug.
Charlotte	111	103	104	136
Jacksonville	124	127	117	128
Miami	141	135	129	164
Richmond	81	68	87	104
Washington, D. C.	135	138	133	156
East South Central	111	115	110	158
Birmingham	126	123	125	168
Knoxville	193	171	175	223
Louisville	66	68	64	106
Memphis	100	98	104	129
Nashville	115	152	117	203
West South Central	254	259	248	298
Dallas	n.a.	218	214	258
Houston	377	384	365	431
New Orleans	178	185	169	210
Oklahoma City	204	201	189	241
San Antonio	165	169	163	186
Tulsa	199	213	204	255
Mountain	250	246	242	384
Denver	214	217	206	322
Phoenix	283	271	287	420
Salt Lake City	n.a.	267	250	453
Pacific	183	177	172	222
Los Angeles	160	154	154	190
Sacramento	257	247	233	309
San Bernardino	133	125	116	176
San Diego	296	296	274	372
San Francisco	187	181	174	216
Seattle	197	187	184	264
Percentage of papers with rising volume	41%	59%	65%	45%
Unemployment rate	7.6%	7.8%	7.7%	6.0%

Note. For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
n.a.—not available r—revised

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

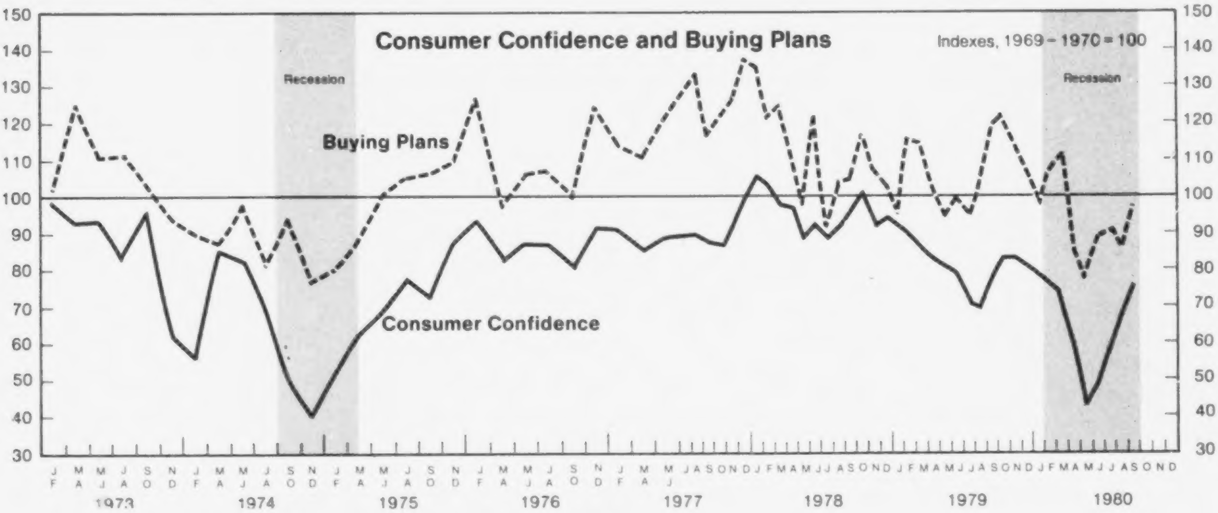
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1978	105.2	103.8	97.3	96.9	88.8	92.5	88.8	91.4	95.4	101.4	91.8	94.0
1979	91.7	91.4	84.9	82.2	80.8	78.5	70.0	69.0	78.2	83.6	83.0	80.8
1980	79.1	76.4	71.5	52.9	42.1	48.6	59.4	66.4r	75.8p			

Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1978	134.3	120.7	124.3	109.5	97.1	121.7	91.2	104.0	104.2	116.9	106.4	103.1
1979	95.1	115.4	114.4	100.6	95.4	99.6	94.6	101.7	119.4	121.9	113.4	107.2
1980	99.2	107.0	116.4	85.3	76.2	89.9	90.2	85.7r	97.2p			

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

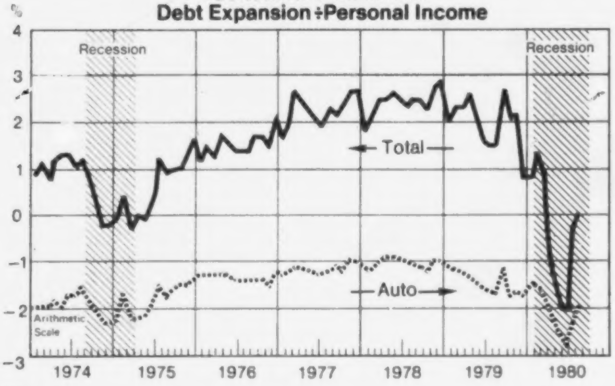
Billions of Dollars; Quarterly Data are Seasonally Adjusted at Annual Rates

		Aggregate Purchasing Power	Discretionary Purchasing Power	Discretionary Saving	Discretionary Spending	Discretionary Purchasing Power as % of Aggregate	Discretionary Spending as % of Aggregate	Discretionary Spending as % of Discretionary Purchasing Power
1975	I	$1075.2	$399.5	$ 67.5	$332.0	37.2%	30.9%	83.1%
	II	1155.6	469.7	125.2	344.5	40.6	29.8	73.3
	III	1160.5	453.4	125.8	327.6	39.1	28.2	72.3
	IV	1220.9	485.4	118.8	366.6	39.8	30.0	75.5
1976	I	1258.3	499.9	133.5	366.4	39.7	29.1	73.3
	II	1288.1	507.0	120.3	386.7	39.4	30.0	76.3
	III	1308.4	514.5	125.5	389.0	39.3	29.7	75.6
	IV	1343.4	533.7	118.2	415.5	39.7	30.9	77.9
1977	I	1394.3	560.4	139.4	421.0	40.2	30.2	75.1
	IIr	1432.2	583.3	143.2	440.1	40.7	30.7	75.4
	IIIr	1520.5	602.0	171.0	431.0	39.6	28.3	71.6
	IVr	1526.1	624.9	146.1	478.8	40.9	31.4	76.6
1978	Ir	1559.9	648.3	141.4	506.9	41.6	32.5	78.2
	IIr	1633.1	680.8	176.8	504.0	41.7	30.9	74.0
	IIIr	1672.4	693.1	184.2	508.9	41.4	30.4	73.4
	IVr	1701.4	690.9	150.3	540.6	40.6	31.8	78.2
1979	Ip	1746.1	712.2	149.5	562.7	40.8	32.2	79.0

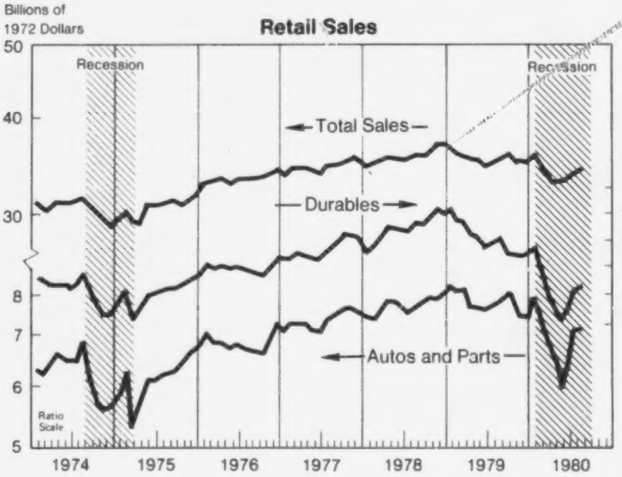
Note: For an explanation of discretionary purchasing power and spending, see Morton Ehrlich, *Discretionary Spending*, (The Conference Board, 1966).

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1977	1978	1979	1980
January:	1-10	9.25	8.86	9.60	8.97
	11-20	9.51	8.03	9.55	7.19
	21-31	8.68	8.03	9.11	9.23
February:	1-10	9.83	8.00	9.20	7.28
	11-20	8.20	9.15	9.13	8.28
	21-28(29)	9.10	8.35	8.82	7.20
March:	1-10	9.89	8.49	8.83	8.11
	11-20	7.81	10.62	9.32	7.94
	21-31	9.69	8.32	8.29	5.98
April:	1-10	7.88	9.96	9.28	7.05
	11-20	9.25	9.44	7.79	5.27
	21-30	9.00	9.64	8.48	5.38
May:	1-10	9.21	9.72	8.52	4.95
	11-20	8.84	9.85	7.41	5.28
	21-31	9.04	10.22	8.41	5.15
June:	1-10	9.75	9.94	6.98	5.57
	11-20	9.31	10.38	7.59	5.60
	21-30	9.60	9.36	6.83	5.41
July:	1-10	9.25	10.04	8.08	6.54
	11-20	8.30	8.69	7.79	5.67
	21-31	9.18	9.15	8.83	6.71
August:	1-10	9.26	9.89	8.08	5.63
	11-20	9.38	8.89	10.76	6.85
	21-31	9.62	10.07	8.47	6.92
September:	1-10	9.60	8.14	9.44	7.41
	11-20	9.14	9.07	9.34	5.64
	21-30	8.31	9.02	7.26	6.98
October:	1-10	9.45	9.57	6.24	7.06
	11-20	9.31	9.08	8.04	
	21-31	9.50	9.82	8.64	
November:	1-10	9.46	8.92	6.65	
	11-20	8.34	9.44	8.07	
	21-30	8.91	9.24	7.08	
December:	1-10	8.06	10.00	7.63	
	11-20	9.07	8.57	7.83	
	21-31	9.07	8.41	8.06	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.

Domestic-Model Car Sales